5 March 2025

# Ricardo plc

**Interim Report for the six months ended 31 December 2024 (HY 2024/25)**

## Good strategic progress with market headwinds impacting orders

- Acquisition of E3 Advisory and disposal of Ricardo Defense demonstrates clear execution against our strategy
- Continuing Group order intake of £221m on the back of multi-year wins (HY 2023/24: up 11% from £199m on a constant currency basis), with modest revenue growth of 2% in the face of a challenging macro environment
- Solid improvement in underlying operating profit to £8.3m (HY 2023/24: £1.0m at constant currency), driven by higher margins and ongoing focus on cost to underpin profitability
- Continuing underlying operating profit margin improved to 4.9% from 0.6% (constant currency)
- Net debt reduced by £41.1m since 30 June 2024, due to the proceeds on the sale of Ricardo Defense
- Lower than expected underlying cash conversion of 13% in the continuing operations as a result of delayed receipts and changes to profile of invoicing milestones; improved performance expected in the second half
- Profit on sale of Ricardo Defense of £36.8m, partly offset by £14.0m impairment of Emerging A&I due to uncertainty over timing of order intake
- Resilient solutions in Energy & Environment are key to our strategy with strong fundamentals providing confidence in mid-term growth
- Continued variability in automotive end markets drives our diversification into off-highway and industrial applications which supports expected mid-term growth
- Interim dividend of 1.7p declared

| | | | Historical rates | | Constant currency(6) | |
|---|---|---|---|---|---|---|
| | | **HY 2024/25** | HY 2023/24 | **Growth/ (decline)%** | HY 2023/24 | **Growth/ (decline)%** |
| **Continuing operations** | | | | | | |
| Order intake | £m | **221.1** | 200.6 | **10.2** | 198.8 | **11.2** |
| Order book | £m | **393.0** | 385.9 | **1.8** | 380.0 | **3.4** |
| Revenue | £m | **169.1** | 167.6 | **0.9** | 166.0 | **1.9** |
| **Underlying(1)** | | | | | | |
| - Operating profit | £m | **8.3** | 1.1 | **654.5** | 1.0 | **730.0** |
| - Operating profit margin | % | **4.9** | 0.7 | **4.2pp** | 0.6 | **4.3pp** |
| - Profit/(loss) before tax | £m | **4.1** | (3.0) | **236.7** | (3.1) | **232.3** |
| - Basic earnings/(loss) per share(1&3) | p | **4.7** | (4.0) | **217.5** | (4.2) | **211.9** |
| **Statutory** | | | | | | |
| - Operating loss | £m | **(8.2)** | (8.8) | **6.8** | (8.9) | **7.9** |
| - Operating loss margin | % | **(4.8)** | (5.3) | **0.5pp** | (5.4) | **0.6pp** |
| - Loss before tax | £m | **(12.5)** | (12.9) | **3.1** | (13.0) | **3.8** |
| **Total** | | | | | | |
| Statutory operating profit | £m | **33.9** | 2.0 | **1,595.0** | | |
| Underlying(1) cash conversion(2) | % | **(5.8)** | 133.3 | **(139.1pp)** | | |
| Cash conversion(2) | % | **(4.5)** | 187.2 | **(191.7pp)** | | |
| Basic underlying earnings per share(1&3) | p | **10.9** | 9.2 | **18.5** | | |
| Basic reported earnings/(loss) per share | p | **43.9** | (5.5) | | | |
| **Closing** | | | | | | |
| Net debt(4) | £m | **18.5** | 63.3 | **(70.8)** | | |
| Headcount(5) | no. | **2,559** | 2,978 | **(14.1)** | | |
| Dividend proposed per share | p | **1.7** | 3.8 | **(55.3)** | | |

*Continuing operations exclude the results of Ricardo Defense, which was sold on 31 December 2024*

*References are defined in the glossary of terms below.*

### Commenting on the results, Graham Ritchie, Chief Executive Officer, said:

"With the sale of Ricardo Defense and the acquisition of E3 Advisory, we have demonstrated clear execution against our strategy, simplifying our business and accelerating our transition to environmental and energy solutions.

Although we have experienced some market headwinds in the first half, which impacted the timing of orders, we delivered an improving operating profit performance year-on-year, owing to actions taken to improve the Group's cost base, and we will continue to focus on operational efficiency to improve profitability.

Whilst we have seen volatility owing to elections leading to short term headwinds, our Energy and Environment business is core to our strategy, offering long-term resilient solutions that are required for energy transition and climate adaptation.

Within our Automotive and Industrial engineering business we continue to see variability in demand from the automotive sectors, but this is becoming a smaller mix of our revenue as we diversify into Industrial segments, including marine, aerospace and stationary power, which gives confidence for longer-term growth.

We remain confident that the actions we are taking to transition our portfolio of solutions, diversify our sales activity to new markets and our continued focus on cost control and operational efficiency will deliver mid-term profitable growth."

## About Ricardo plc

Ricardo plc is a global strategic, environmental, and engineering consulting company, listed on the London Stock Exchange. With over 110 years of engineering excellence and more than 2,500 employees in more than 20 countries, we provide exceptional levels of expertise in delivering innovative cross-sector sustainable outcomes to support energy transition and environmental services, together with safe and smart mobility. Our global team of consultants, environmental specialists, engineers, and scientists support our customers to solve the most complex and dynamic challenges to help achieve a safe and sustainable world.
Visit www.ricardo.com

## Analyst presentation

There will be a presentation for analysts relating to the Group's interim results for the six months ended 31 December 2024 at 9:30am on Wednesday 5 March 2025. A recording of the presentation will be available online to all investors from Wednesday 5 March 2025 at https://www.ricardo.com/en/investors/results-centre

## Further enquiries


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## Cautionary Statement

Note: Certain statements in this press release are forward-looking. Although these forward-looking statements are made in good faith based on the information available to the Directors at the time of their approval of the press release, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

## Glossary of terms

Cross-referenced to superscript in the financial tables and commentary.

(1) Underlying measures exclude the impact on statutory measures of specific adjusting items as set out in the alternative performance measures, Note 4. Underlying measures are considered to provide a more useful indication of underlying performance and trends over time.

(2) Cash conversion is a key measure of the Group's cash generation and measures the conversion of profit into cash. This is the reported cash generated from operations (defined as operating cash flow, less movements in net working capital and defined benefit pension deficit contributions) divided by earnings before interest, tax, depreciation and amortisation (EBITDA), expressed as a percentage.

(3) Underlying earnings from continuing operations also exclude a tax credit to statutory earnings of £0.3m (HY 2023/24: £0.9m) for the specific adjusting items described in Note 10.

(4) Net debt, as set out in Note 14, is defined as current and non-current borrowings less cash and cash equivalents, including hire purchase agreements, but excluding any restricted cash and the impact of IFRS 16 lease liabilities. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements.

(5) Headcount is calculated as the number of employees on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis.

(6) Constant currency growth/decline is calculated by translating the result for the prior period using foreign currency exchange rates applicable to the current period. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.

## Trading summary

Despite continued market uncertainty, owing to global elections in 2024 and geo-political uncertainty impacting energy transition agendas, Ricardo has delivered a solid underlying profit performance in the first half and at the same time, made positive progress in delivering key strategic milestones.

On 31 December 2024 Ricardo successfully completed the sale of the Defense operating segment for consideration of USD 90.6m (£72.3m). Shortly afterwards, post-period end on 7 January 2025, Ricardo utilised the funds from the disposal to acquire 85% of E3 Advisory Pty Ltd (E3A) for a headline enterprise value of AUD 101.4m (£50.7m), of which AUD 69.0m (£34.5m) was paid on completion. These transactions serve to simplify Ricardo's portfolio, focusing on environment and energy solutions and better positioning the Group for long-term sustainable growth. The acquisition of E3A is immediately margin accretive in the short term. It also increases Ricardo's international strategic advisory capability, creating further scale in energy and transport infrastructure in Australia, which has been a key growth market for the Group in recent years.

Excluding the results of Defense, Ricardo generated revenue from continuing operations of £169.1m, 1.9% up on the prior period on a constant currency basis. This reflects growth in the Established Automotive & Industrial (A&I), Rail and Performance Products (PP) segments, offset by lower revenue in Emerging A&I and Energy & Environment (EE). Underlying operating profit from continuing operations was £8.3m, an increase of £7.3m on the prior period profit of £1.0m (on a constant current basis), driven by an improvement in profitability in the Emerging and Established A&I segments as a result of restructuring actions taken in the prior year and improved utilisation in a number of areas. This was complemented by a reduction in Group-wide indirect costs as a result of the centralisation of enabling functions, also implemented in the prior year. Underlying profit before tax from continuing operations improved from a loss of £3.1m in the prior period (on a constant currency basis) to a profit of £4.1m.

These results represent solid underlying operating profit growth within a challenging macro-economic environment which has caused continued volatility in order intake. This is most prevalent in our Emerging A&I segment, where we have seen continued challenge in automotive sectors. Therefore, we are actively diversifying our sales activity towards off-highway and industrial applications. Overall, the Group order book is robust at £393m (FY 2023/24: £356m, HY 2023/24: £380m at constant currency). EE delivered a record order intake, resulting in its order book growing from £99m at June 2024 to £133m, which demonstrates strong ongoing demand for our energy transition and adaptation services and provides confidence for H2.

Reported operating loss from continuing operations, after taking specific adjusting items into consideration, was £8.2m (HY 2023/24: loss of £8.8m) and reported loss before tax from continuing operations was £12.5m (HY 2023/24: loss of £12.9m). HY 2023/24 reported operating loss and loss before tax included a £14.0m non-cash impairment of goodwill in the Emerging A&I segment, stemming from continuing volatility in order intake and uncertainty over the pace of energy transition noted above, £1.1m of amortisation of acquired intangible assets on previous acquisitions, £0.8m of deferred consideration and retention costs relating to previous acquisitions, and £0.7m of other transaction related costs. In the prior period, £6.2m of earn out costs were incurred, together with £0.3m of other M&A-related costs, £2.5m of amortisation of acquired intangibles, and £0.9m of reorganisation and other one-time costs.

Ricardo Defense contributed £41.0m of revenue, £5.3m of underlying operating profit and £5.3m of underlying profit before tax in the current period (HY 2023/24: revenue of £56.6m, £10.9m of underlying operating profit and £10.9m of underlying profit before tax). FY 2023/24 was a record year for the Defense segment, which benefitted from high volumes on the ABS/ESC programme, hence revenue and profit reduced as expected in the first half of FY 2024/25 as a result of reduced ABS/ESC volumes. The reported operating profit and profit before tax from the discontinued operation in the current period includes a provisional net gain on disposal, after transaction-related costs, of £36.8m, subject to any final completion accounts adjustments.

Net debt at 31 December 2024 was £18.5m, a reduction of £41.1m on the 30 June 2024 position of £59.6m. The Group received £64.3m of net proceeds, after transaction-related costs paid in the period, from the disposal of Defense. This was partially offset by an increase in Group's underlying net working capital of £22.6m, of which £13.2m was in the continuing operations due to a combination of the delay in the HMRC Research and Development Expenditure Credit receipt (RDEC), reduced levels of payments on account in A&I and extended invoicing milestones on projects in Asia and the Middle East. The consideration for E3A was paid following the period end.

## Headline trading performance

| | | Underlying[1] | | Reported | |
|---|---|---|---|---|---|
| | **External revenue** | **Operating profit** | **Profit/(loss) before tax** | **Operating profit/(loss)** | **Profit/(loss) before tax** |
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| **HY 2024/25** | | | | | |
| **Total** | **210.1** | **13.6** | **9.4** | **33.9** | **29.6** |
| **Less: discontinued operation** | **(41.0)** | **(5.3)** | **(5.3)** | **(42.1)** | **(42.1)** |
| **Continuing operations** | **169.1** | **8.3** | **4.1** | **(8.2)** | **(12.5)** |
| HY 2023/24 | | | | | |
| Total | 224.2 | 12.0 | 7.9 | 2.0 | (2.1) |
| Less: discontinued operation | (56.6) | (10.9) | (10.9) | (10.8) | (10.8) |
| Continuing operations | **167.6** | **1.1** | **(3.0)** | **(8.8)** | **(12.9)** |
| Continuing operations at current year exchange rates | 166.0 | 1.0 | (3.1) | (8.9) | (13.0) |
| *Growth (%) - Total* | (6) | 13 | 19 | 1,595 | 1,510 |
| *Growth (%) - Continuing operations* | 1 | 655 | 237 | 7 | 3 |
| *Constant currency growth[6] (%) – Continuing operations* | 2 | 730 | 232 | 8 | 4 |

*References in superscript are defined in the glossary of terms.*

## Operating segments summary: Order intake and revenue

| | **HY 2024/25** | | HY 2023/24 Historic rates (restated[a]) | | HY 2023/24 Constant currency[6,a] | |
|---|---|---|---|---|---|---|
| | **Order intake** | **Revenue** | Order intake | Revenue | Order intake | Revenue |
| | **£m** | **£m** | £m | £m | £m | £m |
| EE[a] | **80.8** | **50.4** | 65.5 | 52.9 | 65.1 | 52.5 |
| Rail | **57.1** | **38.1** | 53.2 | 38.1 | 52.0 | 37.2 |
| Emerging A&I[a] | **21.3** | **19.1** | 27.9 | 27.5 | 27.8 | 27.3 |
| **Environment & Energy** | **159.2** | **107.6** | 146.6 | 118.5 | 144.9 | 117.0 |
| PP | **42.2** | **40.6** | 41.9 | 38.2 | 41.9 | 38.2 |
| Established A&I | **19.7** | **20.9** | 12.1 | 10.9 | 12.0 | 10.8 |
| **Established Transport** | **61.9** | **61.5** | 54.0 | 49.1 | 53.9 | 49.0 |
| **Total - continuing operations** | **221.1** | **169.1** | 200.6 | 167.6 | 198.8 | 166.0 |
| Discontinued operation | **55.1** | **41.0** | 113.7 | 56.6 | 110.5 | 54.9 |
| **Total** | **276.2** | **210.1** | 314.3 | 224.2 | 309.3 | 220.9 |

*Number references in superscript are defined in the glossary of terms.*

*(a) From 1 July 2024 the management of Ricardo Strategic Advisory (RSA), historically part of the Emerging A&I segment, was transferred to EE as it was felt that there was closer strategic alignment between the businesses. The results of RSA are now reported to the Group's Chief Operating Decision Maker (the CEO) and the Ricardo plc Board as part of the EE monthly management results. The segmental analysis reflects this new allocation, with the prior period restated. HY 2023/24 order intake and revenue for the Emerging A&I operating segment has decreased by £2.5m and £2.0m respectively (constant currency: £2.4m and £1.9m) with a corresponding increase in the EE segment. RSA generated an underlying operating loss of £0.8m (constant currency: £0.8m) in HY 2023/24. The average headcount for HY 2023/24 in RSA was 56.*

## Operating segments summary: Underlying operating profit

| | **HY 2024/25** | | HY 2023/24 Historic rates (restated[a]) | | HY 2023/24 Constant currency[6,(a)] | |
|---|---|---|---|---|---|---|
| | **Underlying[1] operating profit £m** | **Underlying[1] operating profit margin %** | Underlying[1] operating profit £m | Underlying[1] operating profit margin % | Underlying[1] operating profit £m | Underlying[1] operating profit margin % |
| EE[a] | **6.8** | **13.5** | 8.0 | 15.1 | 7.9 | 15.0 |
| Rail | **4.6** | **12.1** | 4.1 | 10.8 | 4.0 | 10.8 |
| Emerging A&I[a] | **1.5** | **7.9** | (0.7) | (2.5) | (0.6) | (2.2) |
| **Environment & Energy** | **12.9** | **12.0** | 11.4 | 9.6 | 11.3 | 9.7 |
| PP | **2.8** | **6.9** | 2.0 | 5.2 | 2.0 | 5.2 |
| Established A&I | **(0.4)** | **(1.9)** | (3.5) | (32.1) | (3.5) | (32.4) |
| **Established Transport** | **2.4** | **3.9** | (1.5) | (3.1) | (1.5) | (3.1) |
| **Operating segments - continuing operations** | **15.3** | **9.0** | 9.9 | 5.9 | 9.8 | 5.9 |
| Plc costs | **(7.0)** | **-** | (8.8) | - | (8.8) | - |
| **Total - continuing operations** | **8.3** | **4.9** | 1.1 | 0.7 | 1.0 | 0.6 |
| Discontinued operation | **5.3** | **12.9** | 10.9 | 19.3 | 10.6 | 19.3 |
| **Total** | **13.6** | **6.5** | 12.0 | 5.4 | 11.6 | 5.3 |

*Number references in superscript are defined in the glossary of terms. For letter superscript, please refer to the superscript above this table*

## Environment and Energy Transition portfolio

### Robust performance in Rail, but overall performance impacted by delayed orders in A&I and EE

**Highlights:**

- Order intake: £159.2m (HY 2023/24: £146.6m) up 8.6% (constant currency: £144.9m up 9.9%)
- Revenue: £107.6m (HY 2023/24: £118.5m) down 9.2% (constant currency: £117.0m down 8.0%)
- Underlying operating profit: £12.9m (HY 2023/24 £11.4m) up 13.2% (constant currency: £11.3m up 14.2%)
- Underlying operating profit margin: 12.0% (HY 2023/24: 9.6%) up 2.4pp (constant currency: 9.7% up 2.3pp)

Energy and Environment (EE) delivered record order intake of £80.8m, a headline increase of 24% compared to the prior period on a constant currency basis. This included the renewal of the National Atmospheric and Greenhouse Gas Inventories programme, a ten-year contract awarded by the UK Government which continues to underpin our global Air Quality services. Normalising for this win, order intake grew by 10% compared to the prior period. Revenue was 4% down on the prior period on a constant currency basis as global election cycles, impacting our Policy, Strategy and Economics practice in particular, combined with continuing challenging market conditions in Water, resulted in order intake being delayed to the end of the period and into the second half. This was partially offset by growth in Energy Infrastructure Transition and Digital Modelling. Underlying operating profit margins reduced to 13.5% (HY 2023/24: 15.0% on a constant currency basis) due to the impact of delayed orders on utilisation. Whilst we see short-term headwinds as a result of geopolitical uncertainties, the resilience of our portfolio of solutions, supported by the strength of the order book, provides confidence in the near to mid-term.

Rail order intake of £57.1m was a record for a six-month period, with notable successes in the Asia region. There was more subdued performance in Australia where we are operating in a more mature market. Revenue increased by 2% on a constant currency basis, with operational efficiencies increasing underlying operating profit margin to 12.1% (HY 2023/24: 10.8% on a constant currency basis). H2 performance will be impacted by our element of the California High Speed Rail being put on hold but we expect continued good performance in Asia and Europe.

We continue to see volatility in the Emerging A&I business and increased demand for internal combustion engines resulting in more activity in Established A&I. Emerging A&I order intake reduced by £6.5m (23%) on a constant currency basis compared to the prior period, with revenue reducing by £8.2m (30%) on a constant currency basis. The short-term volatility has been influenced by delayed customer investment in emerging solutions, particularly in Automotive, supporting our continuing diversification away from the automotive market into off-highway and industrial applications. The restructuring efforts implemented in the second half of FY 2023/24, focused on implementing a more flexible resourcing model and reducing indirect costs, have resulted in an improvement in profitability, with underlying operating profit increasing by £2.1m compared to the prior period on a constant currency basis. Underlying operating profit margin improved to 7.9%, compared to a negative 2.2% in the prior period. Whilst we remain confident over growth in the mid-term, there is volatility in order intake and uncertainties over the pace of technology change. Following a re-assessment of the value-in-use of the segment, goodwill which arose as a result of historic acquisitions was impaired resulting in a charge of £14.0m. This has been recognised within specific adjusting items. No other assets were impaired.

## Established Transport portfolio

### Strong performances from PP and Established A&I

**Highlights (continuing basis following the disposal of Defense):**

- Order intake: £61.9m (HY 2023/24: £54.0m) up 14.6% (constant currency: £53.9m, up 14.8%)
- Revenue: £61.5m (HY 2023/24: £49.1m) up 25.3% (constant currency: £49.0m, up 25.5%)
- Underlying operating profit: £2.4m (HY 2023/24: loss of £1.5m) up 260.0% (constant currency: loss of £1.5m up 260%)
- Underlying operating profit margin: 3.9% (HY 2023/24: (3.1)% reported and at constant currency, up 7.0pp)

Performance Products (PP) delivered order intake of £42.2m, in line with the prior period. PP secured a six-year extension to a driveline programme with a major European OEM in the period. PP delivered growth in revenue (£2.4m or 6%) and underlying operating profit (£0.8m or 40%), driven by the ramp-up of activities on a significant ten-year driveline and powertrain manufacturing framework agreement, secured in June 2024.

Established A&I order intake was £19.7m in the period, a 64% increase on HY 2023/24 on a constant currency basis. HY 2024/25 order intake includes design and development activities on the ten-year framework agreement mentioned above. In addition, there has been strong demand in high-efficiency ICE for the marine industry and large industrial applications, supporting our continued strategy of transitioning away from traditional automotive markets. Revenue increased by 94% on a constant currency basis to £20.9m. Established A&I also benefitted from the structural changes implemented during the latter half of FY 2023/24. Underlying operating loss reduced from £3.5m in HY 2023/24 to £0.4m in HY 2024/25.

## Discontinued operation – disposal of Defense

As anticipated, Defense order intake, revenue and underlying operating profit all reduced in HY 2024/25 compared to the prior period. Defense received £32.1m (USD 43.3m) of orders for ABS/ESC kits in the period, compared to £80.5m (USD 105.4m) in the prior period due to the timing of the release of funding for the programme. Together with new vehicle kits, Defense delivered 3,430 kits in HY 2024/25 (HY 2023/24: 6,130 kits). There was good growth in the Technical Solutions consultancy business, including Field Support Services, being the sustainment of ABS/ESC kits in the field.

## Cash performance – inflow from the disposal of Defense

Net debt: £18.5m, a decrease of £41.1m (69.0%) on FY 2023/24.

The Group received £64.3m of net proceeds, after transaction-related costs, from the disposal of Defense. The Group’s underlying net working capital increased by £22.6m, split between £13.2m from the continuing operations and £9.4m in Defense. Working Capital for the continuing business has been adversely impacted by the delay in the HMRC Research and Development Expenditure Credit receipt (RDEC) of £6.3m together with reduced levels of payments on account and extended invoicing milestones on projects in Asia and the Middle East. Overall underlying cash conversion was negative 5.8% and positive 13.2% for the continuing operations. Reported cash conversion was negative 4.5%, after taking into account the cash impact of specific adjusting items. We expect improved performance in FY 2024/25.

The composition of net debt is defined in Note 14.

## Specific adjusting items

As set out in more detail in Note 10, the Group’s underlying profit before tax from continuing operations excludes £16.6m of costs incurred during the period that have been charged to the income statement as specific adjusting items (HY 2023/24: £9.9m). In line with the Group’s policy, these items have been recognised as specific adjusting items, due to their nature or significance of their amount, so as to provide further clarity over the financial performance.

| | HY 2024/25 £m | HY 2023/24 (restated*) £m |
|---|---|---|
| **Underlying[1] profit before tax from continuing operations** | **4.1** | (3.0) |
| Amortisation of acquired intangibles | **(1.1)** | (2.5) |
| Acquisition-related expenditure | **(1.5)** | (6.5) |
| Impairment of goodwill in the Emerging A&I segment | **(14.0)** | - |
| Reorganisation costs | **-** | (0.6) |
| ERP implementation costs | **-** | (0.3) |
| Total specific adjusting items from continuing operations | **(16.6)** | (9.9) |
| **Reported loss before tax from continuing operations** | **(12.5)** | (12.9) |
| **SAI recorded in discontinued operation** | | |
| Disposal of discontinued operation | **36.8** | (0.1) |

*References in superscript are defined in the glossary of terms*

**Acquisition-related expenditure of £0.1m in the prior period has been re-presented as part of the result of the discontinued operation.*

**Amortisation of acquired intangibles** was £1.1m in the period, compared to £2.5m in HY 2023/24. This has reduced due to the acquired intangibles from historic acquisition becoming fully amortised.

**Impairment of goodwill** of £14.0m was recognised in the Emerging A&I segment. Due to factors previously mentioned, expected cash flows for the Emerging A&I business have decreased compared to those expected at 30 June 2024, resulting in an impairment of the goodwill in this segment. See Note 9 for further details.

**Acquisition-related costs** of £1.5m were incurred in the period (HY 2023/24: £6.5m). These included accruals for:

- deferred consideration and management retention payments in relation to the acquisition of Aither Pty Ltd (Aither), acquired in March 2022 - £0.6m (HY 2023/24: £4.9m, plus £0.2m of post-deal integration costs);
- deferred consideration in relation to the acquisition of E3 Modelling (E3M), acquired in January 2022 - £0.2m (HY 2023/24: £1.2m plus £0.1m of post-deal integration costs); and
- incremental M&A costs in relation to the acquisition of E3A, acquired in January 2025 - £0.7m.

The prior period also included £0.1m in respect of retention payments due to the former owners of Inside Infrastructure, acquired March 2022.

**Restructuring costs** of £0.6m were incurred in the prior period in relation to restructuring of the Established A&I business.

**ERP implementation** costs of £0.3m were incurred in the prior period for initial feasibility studies in relation to the proposed implementation of a new Group-wide ERP system. No costs were incurred in the current period due to this project being paused.

**Disposal of discontinued operation:** The Defense business was sold on 31 December 2024 for a total consideration of USD 90.6m (£72.3m), of which £68.5m was received in cash in the period and £3.8m was received in early January 2025. The consideration included an initial estimate of closing net debt and working capital. Transaction-related costs of £7.9m were incurred in the period. The value of net assets disposed was £27.6m, resulting in a profit on disposal of £36.8m. A true up of the consideration and gain on disposal for the final completion net debt and working capital will take place in the second half of FY 2024/25.

## Research and Development (R&D) and capital investment

The Group continues to invest in R&D and spent £3.6m (HY 2023/24: £6.9m) before government grant income of £0.1m (HY 2023/24: £1.2m). Development costs capitalised in this period were £3.0m (HY 2023/24: £3.1m), reflecting continued investment in electrification and alternative fuels technology within the Emerging A&I segment, together with technology, tools and processes in the EE segment.

Capital expenditure on property, plant and equipment, excluding right-of-use assets, was £1.9m (HY 2023/24: £1.6m), reflecting targeted investment in our business operations, including hydrogen and electrical test capability in the Emerging A&I segment.

## Net finance costs

Total finance income was £1.2m (HY 2023/24: £0.7m) and finance costs were £5.5m (HY 2023/24: £4.8m) for the period, giving net finance costs of £4.3m (HY 2023/24: £4.1m). The small increase in net costs reflects higher levels of net debt during the current period, partially offset by a slight reduction in the SONIA interest rate compared to the prior period.

## Taxation

The underlying effective tax rate on continuing operations was 29.3% for the period (HY 2023/24: tax credit of 20.0%). The reported effective tax rate on continuing operations was negative 7.2% (HY 2023/24: tax credit of 11.6%). The reported rate was impacted by the profile and composition of specific adjusting items and underlying profits which results in a negative effective tax rate.

For the total Group the underlying effective tax rate was 27.7% for the period (HY 2023/24: 26.6%). The total reported effective tax rate was 7.8% (HY 2023/24: negative 57.1%).

## Earnings per share

Basic loss per share from continuing operations was 21.5p (HY 2023/24: loss of 18.5p). The Directors consider that underlying earnings per share provides a more useful indication of underlying performance and trends over time. Underlying basic earnings per share from continuing operations for the period was 4.7p (HY 2023/24: loss per share 4.0p). The calculation of basic loss per share, with a reconciliation to underlying basic earnings per share, which excludes the impact (net of tax) of specific adjusting items, is disclosed in Note 11.

## Dividend

As set out in more detail in Note 12, the Board has declared an interim dividend of 1.7p per share (HY 2023/24: 3.8p). The dividend will be paid gross on 11 April 2025 to holders of ordinary shares on the Company's register of members on 14 March 2025.

## Goodwill

At 31 December 2024, the Group had total goodwill of £76.0m (FY 2023/24: £96.0m), with the reduction in the period reflecting the impairment of the goodwill in the Emerging A&I segment (£14.0m) and disposal of Defense (£3.5m) with the remainder reflecting movements in the foreign exchange rate period on period. The carrying value of goodwill in the remaining operating segments is fully supported by their recoverable amounts.

## Banking facilities

Net debt at 31 December 2024 comprised cash and cash equivalents, excluding restricted cash, of £111.7m, and borrowing and overdrafts, including hire purchase liabilities and net of capitalised debt issuance costs, of £130.2m.

The Group funds its operations via a Revolving Credit Facility (RCF) of £150m, with a £50m accordion, which provides committed funding through to August 2026, alongside the Group's uncommitted overdraft facilities of £16.1m. At 31 December 2024, the amount undrawn on the RCF was £38.3m. This, together with the cash held, net of £12.9m of off-settable overdrafts, of £98.8m, and £10.5m of unutilised overdraft facilities, provided the Group with total cash and liquidity of £147.6m. The high cash balance at 31 December 2024 reflects the proceeds received from the Defense sale. A portion of these proceeds was used to acquire E3A in January 2025, as discussed below.

The Group's Adjusted Leverage ratio (defined as net debt over EBITDA for the last twelve months, excluding the results of Ricardo Defense and the impact of specific adjusting items and IFRS 16 *Leases*) was 0.61x as at 31 December 2024. The Adjusted Leverage covenant is a maximum of 3.0x.

The Interest Cover ratio was 6.2x at 31 December 2024. The Interest Cover covenant limit is a minimum of 4.0x. Under the terms of the RCF, interest cover is defined as EBITDA for the last twelve months, excluding discontinued operations and the impact of specific adjusting items, divided by net interest costs for the last twelve months, excluding pension and IFRS 16 interest costs. An amendment to the covenant definition for the 31 December 2024 and 30 June 2025 covenant test dates was agreed with the lending banks to calculate interest cover inclusive of the results of Ricardo Defense for the last twelve months. The covenant will return to its original definition at 31 December 2025. Further details are provided in Note 14.

## Foreign exchange

On consolidation, revenue and costs are translated at the average exchange rates for the period. The Group is exposed to movements in the Pound Sterling exchange rate, principally from work carried out with customers that transact in US Dollars, Euros, Australian Dollars and Chinese Renminbi. Compared to the prior period, the average value of the Pound Sterling weakened by 3% against the US Dollar, 3% against the Euro, 2% against the Australian Dollar and 2% the Chinese Renminbi. Had the prior period results been translated at current period exchange rates, revenue from continuing operations would have been £1.6m (1%) lower, underlying operating profit would have been £0.1m (9%) lower and underlying profit before tax would have been £0.1m (3%) lower.

## Pensions

The Group’s defined benefit pension scheme operates within the UK. The fair value of the scheme’s assets at the end of the period was £100.1m (FY 2023/24: £105.4m) and the present value of the scheme’s obligations was £92.7m (FY 2023/24: £97.5m). The value of the scheme’s assets decreased over the period as a result of stock market performance. However, this was partially offset by a decrease in the scheme’s liabilities, due to an increase in the discount rate. The pre-tax surplus, measured in accordance with IAS 19, at 31 December 2024 was £7.4m (FY 2023/24: £7.9m). In line with the last triennial valuation and agreed funding plan, Ricardo did not pay any cash contributions into the scheme during the period (HY 2023/24: £0.8m).

## Acquisition of E3 Advisory

Following the period end, on 7 January 2025, the Group acquired an 85% shareholding in E3 Advisory Pty Limited (E3A). E3A is a consulting company, based in Australia, which advises both governments and private clients through the infrastructure project lifecycle, with particular expertise in transport, infrastructure, clean energy, water, and mining and resources. E3A provides enhanced strategic advisory services to complement Ricardo’s existing technical service capabilities.

The undiscounted value of consideration for the 85% interest is AUD 101.4m (£50.7m), including payments for an initial estimate of net cash on completion, of which AUD 69.0m (£34.5m) was paid on completion, with AUD 32.4m (£16.2m) payable in instalments over the next two years.

The holders of the remaining 15% of equity can exercise a put option for Ricardo to acquire their shares after the third anniversary from completion. The value of the remaining 15% shareholding is based on the future earnings before interest, tax and depreciation (EBITDA) performance of the business in the twelve months to 31 December 2027 at a 9x EBITDA multiple. In the event that management have not exercised their options on the third anniversary of completion of the Acquisition, the Option Price will decrease over time. Ricardo Australia may also elect to mandatorily acquire these shares in certain other circumstances.

## Re-based financial targets

Following the sale of Defense and recent volatility, we are re-basing our medium-term financial targets. We now expect Group organic revenue growth in the mid-single digit per annum, with the Group trending towards 10% underlying operating profit margin.

## Outlook for the year ending FY 2024/25

Despite a challenging macro-economic environment, we expect to see double digit underlying operating profit growth for the continuing Group as a result of the good order book, the benefits from our proactive cost actions, and the benefit from E3 Advisory. With a focus on working capital management and collection of the delayed RDEC receipt we expect an improved cash performance in H2.

In our EE business we expect improved revenue and profit performance in H2 on the back of a strong six-month order book and expected wins in the second half. However, due to the delay in orders in H1, revenue and profit will be broadly flat for the full year. Within Rail, H2 performance will be impacted by our element of the California High Speed Rail being put on hold, but with continued strong performance in Asia and Europe. With continued delays in orders for emerging technology solutions, we anticipate a lower order mix for our Emerging A&I business. At the same time, we are winning more contracts in Established A&I owing to a sustained interest in developing cleaner and more efficient internal combustion solutions. In terms of our PP business, we expect operating performance to be broadly stable but with higher capital expenditure in FY 2025/26 as we invest for growth, ahead of the commencement of production for our largest ever single framework contract.

The Group has made positive progress in delivering key strategic milestones in the first half and we remain confident in our mid-term portfolio transition strategy.

**By order of the Board:**

Graham Ritchie
Chief Executive Officer

Judith Cottrell
Chief Financial Officer

4 March 2025

# Environment and Energy Transition portfolio

## ENERGY & ENVIRONMENT (EE)

Energy and Environment (EE) works with clients across a wide range of sectors and geographies to deliver robust data-driven solutions to solve complex energy resilience and environmental challenges. Ricardo's depth of environmental and energy expertise supports our clients across the value chain, from policy and strategy to implementing impactful solutions. We have focused our portfolio on market-facing solutions that include policy, strategy and economics; air quality, nature and water management; corporate sustainability; and resilience including energy market modelling tools.

## Financial and operational highlights

| | | Historical rates (restated[*]) | | Constant currency[(6)] | |
|---|---|---|---|---|---|
| | **HY 2024/25** | HY 2023/24 | Change | HY 2023/24 | Change |
| | £m | £m | % | £m | % |
| Order intake (£m) | **80.8** | 65.5 | 23.4 | 65.1 | 24.1 |
| Order book (£m) | **133.2** | 99.3 | 34.1 | 98.5 | 35.2 |
| Revenue (£m) | **50.4** | 52.9 | (4.7) | 52.5 | (4.0) |
| Underlying[(1)] operating profit (£m) | **6.8** | 8.0 | (15.0) | 7.9 | (13.9) |
| Underlying[(1)] operating profit margin (%) | **13.5** | 15.1 | (1.6pp) | 15.0 | (1.5pp) |
| Headcount[(5)] (no.) | **980** | 1,017 | (3.6) | 1,017 | (3.6) |

*References in superscript are defined in the glossary of terms above.*

** The results of the RSA business, historically part of the Emerging A&I segment, was transferred to EE on 1 July 2024. The comparative has been restated. Please refer to the headline trading section of this Interim Report, above, for further information.*

## Performance

In HY 2024/25, the order intake in EE was a record £80.8m, a 24.1% increase compared to the prior period on a constant currency basis. A significant component of this order intake was the successful renewal of the National Atmospheric and Greenhouse Gas Inventories (NAEI) programme, a prestigious ten-year contract awarded by the UK Government, which continues to be delivered by our Air Quality team. Underlying growth, after normalising for this programme, was 10%. There was good growth in order intake in the Energy Infrastructure Transition practice, driven by contracts from UK, US and Middle East customers. As reported previously, following the cancellation of a key Water contract in the Middle East, we have been rebuilding the pipeline in Water. This has been a little slower than expected in the first quarter, but we have seen improving orders in Australia and the Middle East, particularly towards the end of the second quarter, and we are starting to see early opportunities under the Asset Management Periods (AMP) 8 cycle in the UK.

Order growth in the Policy, Strategy & Economics and Digital Modelling practices was tempered by global election processes, which have affected both the timing of government procurement processes and subsequent private-sector investment decisions. This included elections in Europe in June 2024, the UK election and subsequent department spending review from July 2024, and the US elections in November 2024. Performance in Sustainability was also adversely affected by election processes, in addition to an increasingly competitive market environment.

The factors above resulted in delays to order intake in the period. However, following a stronger second quarter, the order book closed on 31 December 2024 at a robust £133.2m, up 35.2% on the prior period on a constant currency basis and 10% after normalising for NAEI. This provides increasing confidence as we move into the second half of the year. Encouragingly, the number of new clients included in HY 2024/25 orders increased by 16% compared to the prior period.

Revenue in the period was 4% below the prior period on a constant currency basis. This was mainly driven by the slower ramp up in order intake as set out above, with a consequent impact on utilisation. Underlying operating profit reduced by £1.1m (14%) and operating profit margin reduced by 1.5pp to 13.5%. Staffing levels are being actively managed to align resources to workable revenue. We have also realigned business development activities and continue to invest in digital solutions, principally in our energy market outlook tool, launched initially in Greece during the period.

## RAIL

Ricardo's rail experts provide specialist engineering and assurance services to help clients navigate the industry's complex operational, commercial and regulatory demands. Our experts work across a rail project's life cycle to provide rail operators, infrastructure managers and original equipment manufacturers with the highest safety, operational and environmental standards. Our rail expertise includes railway systems engineering, which supports our clients in realising the intended performance of a complete and integrated system; operations and maintenance, which support operators in optimising day-to-day operations to deliver long-term efficiencies; and rail design and engineering.

## Financial and operational highlights

| | | Historical rates | | Constant currency[6] | |
|---|---|---|---|---|---|
| | **HY 2024/25** | HY 2023/24 | Change | HY 2023/24 | Change |
| | **£m** | £m | % | £m | % |
| Order intake (£m) | **57.1** | 53.2 | 7.3 | 52.0 | 9.8 |
| Order book (£m) | **122.6** | 122.2 | 0.3 | 117.1 | 4.7 |
| Revenue (£m) | **38.1** | 38.1 | - | 37.2 | 2.4 |
| Underlying[1] operating profit (£m) | **4.6** | 4.1 | 12.2 | 4.0 | 15.0 |
| Underlying[1] operating profit margin (%) | **12.1** | 10.8 | 1.3pp | 10.8 | 1.3pp |
| Headcount[5] (no.) | **538** | 539 | (0.2) | 539 | (0.2) |

*References in superscript are defined in the glossary of terms above.*

## Performance

The Rail results for the first half of FY 2024/25 reflect a solid performance having entered the year with a strong orderbook and good pipeline visibility. Order intake of £57.1m represents a 10% increase on the prior period on a constant currency basis. As at 31 December 2024, the orderbook was £122.6m, an increase of 5% on a constant currency basis.

We experienced growth in our key growth geographies of the US and Asia, highlighting our expanding global footprint in the industry. Notable successes in the Asia region were achieved through our solid relationships with critical operators, enabling the local team to effectively support the robust regional manufacturing base.

In North America, the Assurance business continues to expand, driven by new railway construction projects in Canada. Our strategic customer relationships are instrumental in facilitating this growth and the acquisition of new opportunities. However, H2 performance will be impacted by some delays on projects.

In the Middle East, the conclusion of key projects has resulted in favourable returns from our business development efforts, enhancing customer connectivity and contributing to our recent wins.

In the UK and Europe, we maintained our long-standing partnership with NS, a national leader in rail infrastructure in the Netherlands. Additionally, we played a vital role in a significant project in Belfast, culminating in the successful opening of a new major railway station.

Revenue for the period was £38.1m, a 2% increase on the prior period on a constant currency basis. This growth is attributable to the strong order book established at the end of the last financial year with good growth in Asia and US.

With increased revenue driving operational leverage, underlying operating profit increased to £4.6m, a 15% increase on a constant currency basis. Underlying operating profit margin increased by 1.3pp to 12.1%.

## EMERGING AUTOMOTIVE AND INDUSTRIAL (EMERGING A&I)

From strategic planning and policy, concept to manufacture, Emerging Automotive and Industrial is a trusted partner for the next generation of sustainable transport and infrastructure solutions. Leveraging expertise in electrification, hybrid technologies and fuel cells, we deliver clean, efficient, and integrated propulsion and energy solutions to support our clients in their energy transitions.

Our expertise supports the solution delivery across the value chain from policy, strategy and advisory services to design, engineering, testing and niche production and product launch. We develop strategies for the transport sector which address the biggest challenges of reducing greenhouse gas emissions and we strive to deliver a better world through solutions that take a whole life cycle carbon neutral approach.

## Financial and operational highlights

| | | Historical rates (restated[*]) | | Constant currency[6] | |
|---|---|---|---|---|---|
| | **HY 2024/25 £m** | HY 2023/24 £m | Change % | HY 2023/24 £m | Change % |
| Order intake (£m) | **21.3** | 27.9 | (23.7) | 27.8 | (23.4) |
| Order book (£m) | **35.8** | 52.8 | (32.2) | 52.8 | (32.2) |
| Revenue (£m) | **19.1** | 27.5 | (30.5) | 27.3 | (30.0) |
| Underlying[1] operating profit (£m) | **1.5** | (0.7) | 314.3 | (0.6) | 350.0 |
| Underlying[1] operating profit margin (%) | **7.9** | (2.5) | 10.4pp | (2.2) | 10.1pp |
| Headcount[5] (no.) | **382** | 525 | (27.2) | 525 | (27.2) |

*References in superscript are defined in the glossary of terms above.*

** The results of the RSA business, historically part of the Emerging A&I segment, was transferred to EE on 1 July 2024. The comparative has been restated. Please refer to the headline trading section of this Interim Report, above, for further information.*

## Performance

In HY 2024/25, Emerging A&I recorded order intake of £21.3m, a 23% reduction compared to the prior period on a constant currency basis. This decrease is primarily attributed to the completion and delivery of a significant marine fuel cell project, as well as volatility and delays in new customer orders.

During the period, we successfully secured long-term contracts in the aerospace and heavy-duty industries, reinforcing our commitment to electrification. Our Emerging A&I business operates across diverse markets, including marine, aviation, heavy-duty vehicles, industrial applications, and passenger cars. The business has been facing short-term fluctuations in order intake, influenced by delayed customer investment in new emerging solutions. Whilst we remain confident in our long-term growth potential, particularly in industrial applications, there is volatility in order intake and uncertainties over the pace of technology change. Following a re-assessment of the value-in-use of the segment, goodwill which arose as a result of historic acquisitions was impaired resulting in a charge of £14.0m. This has been recognised within specific adjusting items. No other assets were impaired.

Revenue reduced by £8.2m (30%) on a constant currency basis, primarily due to the lower order intake. However, the decisive restructuring efforts implemented in the second half of FY 2023/24, targeting both direct and indirect cost bases, have led to a notable improvement in profitability. In HY 2024/25, underlying operating profit was £1.5m, rebounding from a £0.6m loss in the prior period (constant currency). Underlying operating profit margin improved to 7.9%, compared to negative 2.2% in the prior period (constant currency). This marks the second consecutive six-monthly period in which Emerging A&I has delivered a profit.

In the face of the ongoing volatility, we continue to focus on core markets to ensure we are well placed to address the changing market demands in electrification, fuel cells, sustainable fuels, and hybrid technologies. The organisational changes implemented in the second quarter of last year help to underpin profitability into the second half of the year.

# Established Transport portfolio

## PERFORMANCE PRODUCTS (PP)

Performance Products specialises in the design, low-volume manufacture and series supply of powertrain and driveline products for high performance and complex established and emerging transport applications. Best known for our worldclass engine and transmission products for traditional propulsion systems, our capability has extended to cover the next generation of decarbonised propulsion systems.

We also provide industrialisation consultancy services from concept through to series production. Our customers draw on Ricardo's expertise in low-volume production and in developing low volume/prototype production to series production and apply it to their own facilities and programmes to successfully introduce new products and improve existing production processes.

## Financial and operational highlights

| | | Historical rates | | Constant currency[6] | |
|---|---|---|---|---|---|
| | **HY 2024/25 £m** | HY 2023/24 £m | Change % | HY 2023/24 £m | Change % |
| Order intake (£m) | **42.2** | 41.9 | 0.7 | 41.9 | 0.7 |
| Order book (£m) | **75.1** | 84.3 | (10.9) | 84.3 | (10.9) |
| Revenue (£m) | **40.6** | 38.2 | 6.3 | 38.2 | 6.3 |
| Underlying[1] operating profit (£m) | **2.8** | 2.0 | 40.0 | 2.0 | 40.0 |
| Underlying[1] operating profit margin (%) | **6.9** | 5.2 | 1.7pp | 5.2 | 1.7pp |
| Headcount[5] (no.) | **346** | 347 | (0.3) | 347 | (0.3) |

*References in superscript are defined in the glossary of terms above.*

## Performance

In HY 2024/25, PP achieved an order intake of £42.2m, a 1% increase compared to the prior period. A significant highlight was the six-year extension of a major driveline contract with a European OEM, secured in November 2024, which provides a strong baseload for our Driveline business, with purchase orders being placed on at least annual intervals.

We are focused on developing the Ricardo Detroit Technical Center in the United States, following the award of a ten-year marine driveline and powertrain manufacturing framework agreement in June 2024, comparable in scale to the McLaren programme. This large-scale programme includes significant design and development work which is being undertaken by the Established A&I business.

Revenue was £40.6m in HY 2024/25, reflecting a 6% increase on the prior period. The growth was driven by the ramp-up of development and industrialisation activities associated with the above contract, as well as an increase in McLaren engine volumes.

Following the successful completion of development, testing, and validation for the Singer programme (in our Driveline business), we are ramping up series production in accordance with our established timelines and this mitigates some of the downside from two large transmission programmes coming to an end.

Our underlying operating profit for the period was £2.8m, a £0.8m or 40% increase on the prior period, largely driven by the increase in revenue on the new marine programme. Underlying operating profit margin improved to 6.9%, up 1.7pp on the prior period, with improvements in operational leverage.

Looking ahead, we remain committed to advancing our portfolio of existing powertrain (engine) and drivetrain (transmission) products while also initiating new projects focused on zero-emission propulsion. In particular, we are enthusiastic about the launch of our "Element" modular epicyclic transmission system, designed to support both hybrid and electric vehicle drive concepts, further underscoring our dedication to sustainable transportation solutions.

## ESTABLISHED AUTOMOTIVE AND INDUSTRIAL (ESTABLISHED A&I)

With over a century of propulsion design and development, we are a trusted global engineering-services partner for clean and efficient integrated propulsion and energy systems. Established Automotive and Industrial (A&I) is a trusted partner for original equipment manufacturers (OEMs) and tier-one suppliers across the transportation industry, including land, air and sea. We work across key transportation industries to bring solutions to market more quickly, while also enhancing performance. Established Automotive and Industrial is working to decarbonise current technologies through efficiency improvements, while helping global clients with bridging technologies to support the shift to fully decarbonised transport solutions and the achievement of a cleaner and greener future.

## Financial and operational highlights

| | | Historical rates | | Constant currency[6] | |
|---|---|---|---|---|---|
| | **HY 2024/25 £m** | HY 2023/24 £m | Change % | HY 2023/24 £m | Change % |
| Order intake (£m) | **19.7** | 12.1 | 62.8 | 12.0 | 64.2 |
| Order book (£m) | **26.3** | 27.3 | (3.7) | 27.3 | (3.7) |
| Revenue (£m) | **20.9** | 10.9 | 91.7 | 10.8 | 93.5 |
| Underlying[1] operating loss (£m) | **(0.4)** | (3.5) | (88.6) | (3.5) | (88.6) |
| Underlying[1] operating profit margin (%) | **(1.9)** | (32.1) | 30.2pp | (32.4) | 30.5pp |
| Headcount[5] (no.) | **239** | 242 | (1.2) | 242 | (1.2) |

*References in superscript are defined in the glossary of terms above.*

## Performance

Established A&I has experienced significant customer interest in our internal combustion engine (ICE) and driveline solutions, culminating in an order intake of £19.7m in the period, a 64% increase on the prior period on a constant currency basis.

Revenue increased by 94% on a constant currency basis. This growth reflects the positive trend in order intake, particularly within the high-efficiency ICE marine industry and large industrial applications. During the period we ramped up work on the design and development activities on the large-scale marine programme mentioned within the PP operating segment review.

In addition to revenue growth, the business has benefitted from the structural changes implemented during the latter half of FY 2023/24. These changes included the implementation of a streamlined leadership structure and a flexible resourcing model that allows us to respond promptly to our clients' evolving needs, thereby ensuring consistent financial performance aligned with our strategic objectives.

The underlying operating loss for Established A&I has reduced period on period, from £3.5m in HY 2023/24 to £0.4m in HY 2024/25. The underlying operating margin has also improved, from negative 32.4% in HY 2023/24 to negative 1.9% in HY 2024/25, on a constant currency basis.

There continues to be strong demand for Established A&I’s services in the marine, defence, and heavy-duty vehicle sectors globally, particularly for clean propulsion integrated systems that support our clients in their transition to a more sustainable future.

# Discontinued operation

## DEFENSE

Defense provides solutions to address the challenges our clients face in the integration of logistics and field support for complex and diverse systems. We specialise in designing vehicle engineering solutions that improve safety, and we have a deep legacy in partnering with the US military to take innovative technologies from science to application.

We also provide niche product and assembly services, adapting commercial industry products to deliver innovative sector applications that protect people and infrastructure.

## Financial and operational highlights

| | | Historical rates | | Constant currency[6] | |
|---|---|---|---|---|---|
| | **HY 2024/25** | HY 2023/24 | Change | HY 2023/24 | Change |
| | **£m** | £m | % | £m | % |
| Order intake (£m) | **55.1** | 113.7 | (51.5) | 110.5 | (50.1) |
| Order book (£m) | **-** | 91.3 | (100.0) | 93.0 | (100.0) |
| Revenue (£m) | **41.0** | 56.6 | (27.6) | 54.9 | (25.3) |
| Underlying[1] operating profit (£m) | **5.3** | 10.9 | (51.4) | 10.6 | (50.0) |
| Underlying[1] operating profit margin (%) | **12.9** | 19.3 | (6.4pp) | 19.3 | (6.4pp) |
| Headcount[5] (no.) | **-** | 233 | (100.0) | 233 | (100.0) |

*References in superscript are defined in the glossary of terms above.*

## Performance

As expected, HY 2024/25 saw continued demand for Defense's portfolio of engineering services and there was a decline in revenues from the Anti-lock Braking System/Electronic Stability Control (ABS/ESC) retrofit kits program, as volumes started to normalise following the peak delivery year in FY 2023/24.

Defense order intake was £55.1m in HY 2024/25, a reduction of 50% on the prior period due to the timing and value of ABS/ESC kit orders.

Total Defense revenue decreased by £13.9m (25%), on a constant currency basis. Defense delivered 3,430 kits ABS/ESC kits in the period, as compared to 6,130 in HY 2023/24. This reduction resulted in a significant revenue decline, as anticipated. Revenue from engineering services increased in the current period, driven by strong demand for our field support solutions (the sustainment of ABS/ESC kits in the field), together with increased revenue from Technical Services.

Underlying operating profit has decreased to £5.3m, a 50% decline on a constant currency basis. Underlying operating profit margin reduced by 6.4pp on a constant currency basis to 12.9% due to the impact of the lower ABS/ESC volumes.

The Defense business was sold by Ricardo on 31 December 2024 and the HY 2024/25 results are presented as a discontinued operation in the interim financial statements.

## Condensed interim financial statements

# Condensed consolidated income statement
for the six months ended 31 December 2024 (unaudited)

| | | **2024** | | | 2023 (restated*) | | |
|---|---|---|---|---|---|---|---|
| | | **Underlying** | **Specific adjusting items(**)** | **Total** | Underlying | Specific adjusting items(**) | Total |
| | *Note* | **£m** | **£m** | **£m** | £m | £m | £m |
| **Continuing operations** | | | | | | | |
| Revenue | *8* | **169.1** | **-** | **169.1** | 167.6 | - | 167.6 |
| Cost of sales | | **(118.2)** | **-** | **(118.2)** | (120.7) | - | (120.7) |
| **Gross profit** | | **50.9** | **-** | **50.9** | 46.9 | - | 46.9 |
| Administrative expenses | | **(43.1)** | **(16.5)** | **(59.6)** | (46.2) | (9.9) | (56.1) |
| Other income | | **0.5** | **-** | **0.5** | 0.4 | - | 0.4 |
| **Operating profit/(loss)** | | **8.3** | **(16.5)** | **(8.2)** | 1.1 | (9.9) | (8.8) |
| Finance income | | **1.2** | **-** | **1.2** | 0.7 | - | 0.7 |
| Finance costs | | **(5.4)** | **(0.1)** | **(5.5)** | (4.8) | - | (4.8) |
| Net finance costs | | **(4.2)** | **(0.1)** | **(4.3)** | (4.1) | - | (4.1) |
| **Profit/(loss) before taxation** | | **4.1** | **(16.6)** | **(12.5)** | (3.0) | (9.9) | (12.9) |
| Income tax (expense)/credit | | **(1.2)** | **0.3** | **(0.9)** | 0.6 | 0.9 | 1.5 |
| **Profit/(loss) from continuing operations** | | **2.9** | **(16.3)** | **(13.4)** | (2.4) | (9.0) | (11.4) |
| **Discontinued operation** | | | | | | | |
| Profit from discontinued operation, net of tax | | **3.9** | **36.8** | **40.7** | 8.2 | (0.1) | 8.1 |
| **Profit/(loss) for the period** | | **6.8** | **20.5** | **27.3** | 5.8 | (9.1) | (3.3) |
| | | | | | | | |
| **Profit/(loss) attributable to:** | | | | | | | |
| **Continuing operations** | | | | | | | |
| - Owners of the parent | | **2.9** | **(16.3)** | **(13.4)** | (2.5) | (9.0) | (11.5) |
| - Non-controlling interests | | **-** | **-** | **-** | 0.1 | - | 0.1 |
| | | **2.9** | **(16.3)** | **(13.4)** | (2.4) | (9.0) | (11.4) |
| **Discontinued operation** | | | | | | | |
| - Owners of the parent | | **3.9** | **36.8** | **40.7** | 8.2 | (0.1) | 8.1 |
| **Total** | | | | | | | |
| - Owners of the parent | | **6.8** | **20.5** | **27.3** | 5.7 | (9.1) | (3.4) |
| - Non-controlling interests | | **-** | **-** | **-** | 0.1 | - | 0.1 |
| | | **6.8** | **20.5** | **27.3** | 5.8 | (9.1) | (3.3) |

## **Condensed consolidated income statement (continued)**
for the six months ended 31 December 2024 (unaudited)

| Earnings per share (Note 11) | 2024 pence | 2023 pence |
|---|---|---|
| **Basic** | | |
| Earnings/(loss) per share | **43.9** | (5.5) |
| Underlying earnings per share | **10.9** | 9.2 |
| Underlying earnings/(loss) per share from continuing operations | **4.7** | (4.0) |
| Earnings/(loss) per share from continuing operations | **(21.5)** | (18.5) |
| Earnings per share from discontinued operation | **65.4** | 13.0 |
| **Diluted** | | |
| Earnings/(loss) per share | **43.3** | (5.5) |
| Underlying earnings per share | **10.8** | 9.2 |
| Underlying earnings/(loss) per share from continuing operations | **4.6** | (4.0) |
| Earnings/(loss) per share from continuing operations | **(21.3)** | (18.5) |
| Earnings per share from discontinued operation | **64.6** | 13.0 |

The accompanying notes are an integral part of these condensed interim financial statements.

* *The prior period has been restated for discontinued operations. Please refer to Note 6. In addition, to ensure a standardised approach across the Group, the classification of business development and operational costs have been aligned across our operating segments, resulting in the reclassification of £2.2m of salary costs from direct to indirect in the prior period.*

** *Specific adjusting items are disclosed separately in the condensed interim financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Further details are given in Note 4 and Note 10.*

## Condensed consolidated statement of comprehensive income
for the six months ended 31 December 2024 (unaudited)

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **Profit/(loss) for the period** | **27.3** | (3.3) |
| **Other comprehensive (expense)/income** | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurements of the defined benefit pension scheme | **(0.7)** | 1.0 |
| Deferred tax on remeasurements of the defined benefit pension scheme | **0.2** | (0.2) |
| Total items that will not be reclassified to profit or loss | **(0.5)** | 0.8 |
| Items that are, or may be, subsequently reclassified to profit or loss: | | |
| Currency translation on foreign currency net investments | **(2.5)** | 0.9 |
| Movement in fair value of cash flow hedge | **-** | (0.5) |
| Total items that may be subsequently reclassified to profit or loss | **(2.5)** | 0.4 |
| **Total other comprehensive (expense)/income for the period (net of tax)** | **(3.0)** | 1.2 |
| **Total comprehensive income/(expense) for the period** | **24.3** | (2.1) |
| **Comprehensive income/(expense) attributable to:** | | |
| - Owners of the parent | **24.3** | (2.2) |
| - Non-controlling interests | **-** | 0.1 |
| | **24.3** | (2.1) |

The accompanying notes are an integral part of these condensed interim financial statements.

# Condensed consolidated statement of financial position
## As at 31 December 2024 (unaudited)

| | Note | **31 December 2024 £m** | 30 June 2024 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | *9* | **76.0** | 96.0 |
| Other intangible assets | | **30.4** | 33.7 |
| Property, plant and equipment | | **28.6** | 30.4 |
| Right-of-use assets | | **19.6** | 19.2 |
| Retirement benefit surplus | | **7.4** | 8.0 |
| Other receivables | | **2.4** | 2.5 |
| Deferred tax assets | | **6.4** | 6.4 |
| | | **170.8** | 196.2 |
| **Current assets** | | | |
| Inventories | | **20.7** | 29.4 |
| Trade, contract and other receivables | | **143.1** | 146.7 |
| Derivative financial assets | | **0.7** | 0.8 |
| Current tax assets | | **7.1** | 7.1 |
| Cash and cash equivalents | *14* | **115.3** | 48.6 |
| | | **286.9** | 232.6 |
| **Total assets** | | **457.7** | 428.8 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | *14* | **18.5** | 4.3 |
| Lease liabilities | | **5.5** | 6.0 |
| Trade, contract and other payables | | **91.5** | 107.5 |
| Current tax liabilities | | **6.0** | 3.5 |
| Derivative financial liabilities | | **1.5** | 0.5 |
| Provisions | | **3.5** | 3.5 |
| | | **126.5** | 125.3 |
| **Net current assets** | | **160.4** | 107.3 |
| **Non-current liabilities** | | | |
| Borrowings | *14* | **111.7** | 102.6 |
| Lease liabilities | | **18.3** | 17.8 |
| Trade, contract and other payables | | **1.4** | 1.2 |
| Deferred tax liabilities | | **12.4** | 13.0 |
| Derivative financial liabilities | | **-** | 0.1 |
| Provisions | | **3.6** | 3.6 |
| | | **147.4** | 138.3 |
| **Total liabilities** | | **273.9** | 263.6 |
| **Net assets** | | **183.8** | 165.2 |
| | | | |
| **Equity** | | | |
| Share capital | | **15.6** | 15.6 |
| Share premium | | **16.8** | 16.8 |
| Other reserves | | **33.7** | 36.2 |
| Retained earnings | | **117.2** | 96.1 |
| Equity attributable to owners of the parent | | **183.3** | 164.7 |
| Non-controlling interests | | **0.5** | 0.5 |
| **Total equity** | | **183.8** | 165.2 |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated statement of changes in equity

## for the six months ended 31 December 2024 (unaudited)

| | | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Share premium** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| | *Note* | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| At 1 July 2023 | | 15.6 | 16.8 | 37.2 | 106.6 | 176.2 | 0.4 | 176.6 |
| Loss for the period | | - | - | - | (3.4) | (3.4) | 0.1 | (3.3) |
| Other comprehensive income for the period | | - | - | 0.4 | 0.8 | 1.2 | - | 1.2 |
| Total comprehensive income/(expense) for the period | | - | - | 0.4 | (2.6) | (2.2) | 0.1 | (2.1) |
| Equity-settled transactions | | - | - | - | 0.7 | 0.7 | - | 0.7 |
| Purchases of own shares to settle awards | | - | - | - | (0.5) | (0.5) | - | (0.5) |
| Ordinary share dividends | *12* | - | - | - | (5.4) | (5.4) | - | (5.4) |
| At 31 December 2023 | | 15.6 | 16.8 | 37.6 | 98.8 | 168.8 | 0.5 | 169.3 |
| | | | | | | | | |
| At 1 July 2024 | | **15.6** | **16.8** | **36.2** | **96.1** | **164.7** | **0.5** | **165.2** |
| Profit for the period | | **-** | **-** | **-** | **27.3** | **27.3** | **-** | **27.3** |
| Other comprehensive expense for the period | | **-** | **-** | **(2.5)** | **(0.5)** | **(3.0)** | **-** | **(3.0)** |
| Total comprehensive (expense)/income for the period | | **-** | **-** | **(2.5)** | **26.8** | **24.3** | **-** | **24.3** |
| Equity-settled transactions | | **-** | **-** | **-** | **0.4** | **0.4** | **-** | **0.4** |
| Purchases of own shares to settle awards | | **-** | **-** | **-** | **(0.6)** | **(0.6)** | **-** | **(0.6)** |
| Ordinary share dividends | *12* | **-** | **-** | **-** | **(5.5)** | **(5.5)** | **-** | **(5.5)** |
| **At 31 December 2024** | | **15.6** | **16.8** | **33.7** | **117.2** | **183.3** | **0.5** | **183.8** |

The accompanying notes form an integral part of these condensed interim financial statements.

## Condensed consolidated statement of cash flows
for the six months ended 31 December 2024 (unaudited)

| | 2024<br>£m | 2023 (restated*)<br>£m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) before taxation | **29.6** | (2.1) |
| Adjustments for: | | |
| - Share-based payments | **0.4** | 0.8 |
| - Unrealised foreign exchange losses | **1.1** | (0.2) |
| - Fair value losses on derivatives | **0.2** | 0.7 |
| - Gains on disposal of discontinued operation | **(36.8)** | - |
| - Net finance costs | **4.3** | 4.1 |
| - Depreciation, amortisation and impairment | **22.1** | 9.7 |
| - Defined benefit pension scheme payments in excess of past service costs | **-** | (0.7) |
| Operating cash flows before movements in working capital | **20.9** | 12.3 |
| Changes in: | | |
| - Inventories | **(4.6)** | (3.5) |
| - Trade, contract and other receivables | **(7.1)** | 14.7 |
| - Trade, contract and other payables | **(11.9)** | (1.4) |
| - Provisions | **0.2** | (0.2) |
| Cash (used in)/generated from operations | **(2.5)** | 21.9 |
| Interest paid | **(5.4)** | (4.0) |
| Interest received | **1.1** | 0.1 |
| Income tax paid | **(0.8)** | (5.4) |
| Net cash (used in)/generated from operating activities | **(7.6)** | 12.6 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(1.9)** | (1.7) |
| Proceeds from sale of discontinued operation, net of cash disposed | **66.1** | - |
| Purchases of intangible assets and capitalised development costs | **(3.4)** | (3.6) |
| Net cash generated from/(used in) investing activities | **60.8** | (5.3) |
| **Cash flows from financing activities** | | |
| Purchases of own shares to settle awards | **(0.5)** | (0.6) |
| Principal element of lease payments | **(3.2)** | (2.6) |
| Proceeds from borrowings | **15.0** | 57.0 |
| Repayment of borrowings | **(6.0)** | (52.0) |
| Dividends paid to shareholders | **(5.5)** | (5.4) |
| Net cash used in financing activities | **(0.2)** | (3.6) |
| Effect of exchange rate changes on cash and cash equivalents | **(0.5)** | 0.3 |
| **Net increase in cash and cash equivalents** | **52.5** | 4.0 |
| Net cash and cash equivalents at 1 July | **43.0** | 37.2 |
| Restricted cash movement | **(2.3)** | - |
| **Net cash and cash equivalents at 31 December** | **93.2** | 41.2 |

## Condensed consolidated statement of cash flows (continued)
for the six months ended 31 December 2024 (unaudited)

| | **2024** | 2023 |
|---|---|---|
| | **£m** | £m |
| **At 1 July** | | |
| Cash and cash equivalents | **48.6** | 49.8 |
| Restricted cash | **(1.3)** | - |
| Bank overdrafts | **(4.3)** | (12.6) |
| **Net cash and cash equivalents at 1 July** | **43.0** | 37.2 |
| **At 31 December** | | |
| Cash and cash equivalents | **115.3** | 46.7 |
| Restricted cash | **(3.6)** | - |
| Bank overdrafts | **(18.5)** | (5.5) |
| **Net cash and cash equivalents at 31 December** | **93.2** | 41.2 |

The accompanying notes form an integral part of these condensed interim financial statements.

* The prior period cash flow statement has been restated. Cash payments to settle derivatives of £0.7m have been reclassified as a gain on the fair value of derivatives of £0.9m and an unrealised foreign exchange loss of £0.2m relating to these derivative foreign currency swaps.

## 1. General information

Ricardo plc (the Company), a public company limited by shares, is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, England, United Kingdom, and its registered number is 00222915.

The condensed interim financial statements were approved for issue by the Board of Directors on 4 March 2025. These condensed interim financial statements have not been audited.

## 2. Basis of preparation

These condensed interim financial statements of the Company and its subsidiaries (together, the Group) for the six months ended 31 December 2024 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have been prepared in accordance with the *Disclosure Guidance and Transparency Rules* of the United Kingdom's Financial Conduct Authority and IAS 34 *Interim Financial Reporting*, as adopted for use in the UK.

These condensed interim financial statements should be read in conjunction with the financial statements for the year ended 30 June 2024 within the *Annual Report & Accounts* 2023/24, which were prepared in accordance with International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations adopted by the UK and the Companies Act 2006 applicable to companies reporting under IFRS. The *Annual Report & Accounts 2023/24*, which was approved by the Board of Directors on 10 September 2024 and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The accounting policies adopted within this Interim Report are consistent with the *Annual Report & Accounts 2023/24* except for the requirements of IAS 34 *Interim Financial Reporting* in respect of income tax. Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The board of Ricardo plc has undertaken an assessment of the ability of the Group and Company to continue in operation and meet their liabilities as they fall due over the period of its assessment. In doing so, the board considered events throughout the period of their assessment, including the availability and maturity profile of the Group's financing facilities and covenant compliance. These condensed interim financial statements have been prepared on the going concern basis, which the Directors consider appropriate for the reasons set out below. The Group funds its operations through cash generated by the Group and has access to a £150m revolving credit facility (RCF) with a £50m accordion which is linked to two covenants, which are tested at 30 June and 31 December each year until the debt matures in August 2026:

- Adjusted Leverage, defined as net debt divided by underlying EBITDA for the last twelve months, excluding the impact of IFRS 16. Underlying EBITDA is adjusted to include EBITDA from acquisitions for the last twelve months and to exclude EBITDA from discontinued operations. The covenant limit is a maximum of 3.0x.
- Interest cover, defined as underlying EBITDA for the last twelve months, excluding the impact of IFRS 16, divided by net finance costs excluding pension and IFRS 16 interest. Underlying EBITDA is adjusted to include EBITDA from acquisitions from the point of acquisition and to exclude EBITDA from discontinued operations. The covenant limit is a minimum of 4.0x.

Due to the impact of the disposal of Defense on the Group's EBITDA for the purposes of calculating the Interest Cover covenant, the definition of Interest Cover has been amended to include EBITDA from the discontinued operation for the 31 December 2024 and 30 June 2025 covenant test dates. The covenant will return to its original definition for 31 December 2025. No changes were made to the Adjusted Leverage covenant definition.

Net debt at 31 December 2024 was £18.5m, comprising cash and cash equivalents, net of any restricted cash, and borrowings, including hire purchase liabilities, but excluding IFRS 16 lease liabilities of £23.8m. Adjusted leverage was 0.61x and interest cover was 6.2x on an amended basis. As at the date of approval of these condensed interim financial statements, the amount of RCF undrawn and available to the Group was £64.0m, with total borrowing, net of £11.3m of off-settable overdrafts, of £91.0m and cash and cash equivalents of £27.9m.

The Directors have prepared a cash flow forecast which covers a period of at least twelve months from the date of approval of these condensed interim financial statements. In this forecast, the Directors have considered the impact of the disposal of the Defense operating segment and the acquisition E3A, together with known risks, including the pace of technological change in the automotive sector, driven by climate change, which continues to rapidly shift away from the traditional internal combustion engine towards more renewable propulsion methods, on the Group's results, operations and financial position in a severe but plausible downside scenario. The scenario includes consideration of the level of secured and visible work in the second half of FY 2024/25 and the impact of potential project disruptions, together with:

- Limited revenue growth from Automotive and Industrial established transport and emerging solutions in FY 2025/26;
- Reduced revenue growth rates in Energy and Environment, including E3A, and Rail;
- Decline in key programme volumes in Performance Products;
- Removal of any assumed working capital improvement; and
- An increase in the SONIA interest rate compared with external bank forecasts

The scenario incorporates the appropriate reversal of discretionary bonus payments and setting suitable levels of dividends based on the sensitised results of the operating segments. Under this scenario, the Group's EBITDA is reduced, relative to the forecast, by 10% in FY 2024/25 and 20% in FY 2025/26. The Group's organic adjusted EBITDA is forecast to reduce by 6% in FY 2025/26 under this scenario. The results showed that the Group would be able to continue operating within its debt covenants and has sufficient liquidity headroom under the downside scenario. Following this assessment, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the condensed interim financial statements and therefore have prepared the condensed interim financial statements on a going concern basis.

## 3. Seasonality

Based upon management's experience, higher levels of revenue and profit are expected in the second half of each financial year. This is typically due to lower levels of annual leave and a greater number of chargeable hours, which equates to higher revenues on a predominantly fixed cost base, and therefore higher profits.

## 4. Alternative Performance Measures

Throughout this document the Group presents various alternative performance measures (APMs) in addition to those reported under IFRS. The measures presented are those adopted by the Chief Operating Decision Maker (CODM, deemed to be the Chief Executive Officer), together with the main board, and analysts who follow us in assessing the performance of the business. Ricardo provides guidance to the investor community based on underlying results. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

The underlying results and other APMs may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.

### (a) Group profit and earnings measures

**Underlying profit before tax (PBT) and underlying operating profit:** These measures are used by the board to monitor and measure the trading performance of the Group. Underlying results include the benefits of the results of acquisitions and major restructuring programmes but exclude significant costs (such as the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items). Ricardo believes that the underlying results, when considered together with the reported results, provide investors, analysts and other stakeholders with helpful complementary information to better understand the financial performance and position of the Group.

The Group's strategy includes geographic and sector diversification, including targeted acquisitions and disposals. By excluding acquisition-related expenditure from underlying PBT and underlying operating profit, the board has a clearer view of the performance of the Group and is able to make better operational decisions to support its strategy.

Acquisition-related expenditure includes the costs of acquisitions, deferred and contingent consideration fair value adjustments (including the unwinding of discount factors), transaction-related fees and expenses, and post-deal integration costs.

Reorganisation costs arising from major restructuring activities, profits or losses on the disposal of businesses, and significant impairments of property, plant and equipment, are excluded from underlying PBT and underlying operating profit as they are not reflective of the Group's trading performance in the year, as are any other specific adjusting items deemed to be one-off in nature.

The related tax effects on the above and other tax items which do not form part of the underlying tax rate are also considered. Items are treated consistently year-on-year, and these adjustments are also consistent with the way that performance is measured under the Group's incentive plans and its banking covenants. A reconciliation is shown below. Further details of the nature of the specific adjusting items are given in Note 10.

Reconciliation of underlying profit before tax to reported profit before tax

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Underlying** | **Specific adjusting items** | **Total** | Underlying | Specific adjusting items | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Revenue | **169.1** | **-** | **169.1** | 167.6 | - | 167.6 |
| Cost of sales | **(118.2)** | **-** | **(118.2)** | (120.7) | - | (120.7) |
| **Gross profit** | **50.9** | **-** | **50.9** | 46.9 | - | 46.9 |
| Administrative expenses, impairment losses on trade receivables and contract assets, and other income | **(42.6)** | **-** | **(42.6)** | (45.8) | - | (45.8) |
| Amortisation of acquired intangibles | **-** | **(1.1)** | **(1.1)** | - | (2.5) | (2.5) |
| Acquisition-related expenditure | **-** | **(0.7)** | **(0.7)** | - | (0.3) | (0.3) |
| Earn-out and employee retention costs | **-** | **(0.7)** | **(0.7)** | - | (6.2) | (6.2) |
| Impairment of goodwill in the Emerging A&I segment | **-** | **(14.0)** | **(14.0)** | - | - | - |
| Reorganisation costs | **-** | **-** | **-** | - | (0.6) | (0.6) |
| ERP implementation costs | **-** | **-** | **-** | - | (0.3) | (0.3) |
| **Operating profit/(loss) from continuing operations** | **8.3** | **(16.5)** | **(8.2)** | 1.1 | (9.9) | (8.8) |
| Net finance costs | **(4.2)** | **(0.1)** | **(4.3)** | (4.1) | - | (4.1) |
| **Profit/(loss) before taxation from continuing operations** | **4.1** | **(16.6)** | **(12.5)** | (3.0) | (9.9) | (12.9) |
| Income tax (expense)/credit | **(1.2)** | **0.3** | **(0.9)** | 0.6 | 0.9 | 1.5 |
| **Profit/(loss) for the period from continuing operations** | **2.9** | **(16.3)** | **(13.4)** | (2.4) | (9.0) | (11.4) |
| Profit for the year from discontinued operation, net of tax | **3.9** | **36.8** | **40.7** | 8.2 | (0.1) | 8.1 |
| **Profit/(loss) for the period** | **6.8** | **20.5** | **27.3** | 5.8 | (9.1) | (3.3) |

**Underlying earnings attributable to the owners of the parent/earnings per share:** The Group uses underlying earnings attributable to the owners of the parent as the input to its adjusted EPS measure. This profit measure excludes the amortisation of acquired intangibles, acquisition-related expenditure, reorganisation costs and other specific adjusting items, but is an after-tax measure. The board considers underlying EPS to be more reflective of the Group's trading performance in the year. A reconciliation between earnings attributable to the owners of the parent and underlying earnings attributable to the owners of the parent is shown in Note 11.

**Constant currency growth/decline:** The Group generates revenues and profits in various territories and currencies because of its international footprint. Those results are translated on consolidation at the foreign exchange rates prevailing at the time. Constant currency growth/decline is calculated by translating the result for the prior period using foreign currency exchange rates applicable to the current period. This provides an indication of the growth/decline of the business, excluding the impact of foreign exchange.

### Headline trading performance

| | External revenue | Underlying | | Statutory | |
|---|---|---|---|---|---|
| | | Operating profit | Profit/(loss) before tax | Operating profit/(loss) | Profit/(loss) before tax |
| | £m | £m | £m | £m | £m |
| **HY 2024/25** | | | | | |
| **Total** | **210.1** | **13.6** | **9.4** | **33.9** | **29.6** |
| **Less: discontinued operation** | **(41.0)** | **(5.3)** | **(5.3)** | **(42.1)** | **(42.1)** |
| **Continuing operations** | **169.1** | **8.3** | **4.1** | **(8.2)** | **(12.5)** |
| HY 2023/24 | | | | | |
| Total | 224.2 | 12.0 | 7.9 | 2.0 | (2.1) |
| Less: discontinued operation | (56.6) | (10.9) | (10.9) | (10.8) | (10.8) |
| Continuing operations | 167.6 | 1.1 | (3.0) | (8.8) | (12.9) |
| Continuing operations at current year exchange rates | 166.0 | 1.0 | (3.1) | (8.9) | (13.0) |
| *Growth (%) - Total* | (6) | 13 | 19 | 1,595 | 1,510 |
| *Growth (%) - Continuing operations* | 1 | 655 | 237 | 7 | 3 |
| *Constant currency growth (%) – Continuing operations* | 2 | 730 | 232 | 8 | 4 |

**Segmental underlying operating profit:** This is presented in the Group's segmental disclosures and reflects the underlying trading of each segment, as assessed by the main board. This excludes segment-specific amortisation of acquired intangibles, acquisition-related expenditure and other specific adjusting items, such as reorganisation costs. It also excludes unallocated plc costs, which represent the costs of running the public limited company, and specific adjusting items which are outside of the control of segment management. A reconciliation between segment underlying operating profit, the Group's underlying operating profit and operating profit is presented in Note 7.

### (b) Cash flow measures

**Cash conversion:** A key measure of the Group's cash generation is the conversion of profit into cash. This is the reported cash generated from operations (defined as operating cash flow, less movements in net working capital and defined benefit pension deficit contributions) divided by earnings before interest, tax, depreciation and amortisation (EBITDA), expressed as a percentage.

**Underlying cash conversion:** This is underlying cash generated from operations (defined as reported cash generated from operations, adjusted for the cash impact of specific adjusting items) divided by underlying EBITDA (defined as reported EBITDA, adjusted for the impact of specific adjusting items). A reconciliation between the two is shown below.

### Cash conversion

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Underlying** | **Specific adjusting items** | **Total** | Underlying | Specific adjusting items | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Operating profit/(loss) from continuing operations | **8.3** | **(16.5)** | **(8.2)** | 1.1 | (9.9) | (8.8) |
| Operating profit from discontinued operation | **5.3** | **36.8** | **42.1** | 10.9 | (0.1) | 10.8 |
| Operating profit | **13.6** | **20.3** | **33.9** | 12.0 | (10.0) | 2.0 |
| Depreciation, amortisation and impairment | **7.0** | **14.0** | **21.0** | 7.2 | - | 7.2 |
| Amortisation of acquired intangibles | **-** | **1.1** | **1.1** | - | 2.5 | 2.5 |
| **EBITDA** | **20.6** | **35.4** | **56.0** | 19.2 | (7.5) | 11.7 |
| Movement in working capital | **(22.6)** | **(0.8)** | **(23.4)** | 5.8 | 3.8 | 9.6 |
| Pension deficit payments | **-** | **-** | **-** | (0.7) | - | (0.7) |
| Gain on disposal of discontinued operation | **-** | **(36.8)** | **(36.8)** | - | - | - |
| Share based payments | **0.4** | **-** | **0.4** | 0.8 | - | 0.8 |
| Unrealised foreign exchange losses | **0.7** | **0.4** | **1.1** | (0.2) | - | (0.2) |
| Fair value losses/(gains) on derivatives | **(0.3)** | **0.5** | **0.2** | 0.7 | - | 0.7 |
| **Cash (used in)/generated from operations** | **(1.2)** | **(1.3)** | **(2.5)** | 25.6 | (3.7) | 21.9 |
| **Cash conversion** | **(5.8%)** | | **(4.5%)** | 133.3% | | 187.2% |

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Underlying** | **Specific adjusting items** | **Total** | Underlying | Specific adjusting items | Total |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **EBITDA** | | | | | | |
| - continuing operations | **14.4** | **(1.4)** | **13.0** | 7.3 | (7.4) | (0.1) |
| - discontinued operation | **6.2** | **36.8** | **43.0** | 11.9 | (0.1) | 11.8 |
| **- Total** | **20.6** | **35.4** | **56.0** | 19.2 | (7.5) | 11.7 |
| | | | | | | |
| **Cash (used in)/generated from operations** | | | | | | |
| - continuing operations | **1.9** | **(1.3)** | **0.6** | 16.4 | (3.6) | 12.8 |
| - discontinued operation | **(3.1)** | **-** | **(3.1)** | 9.2 | (0.1) | 9.1 |
| **- Total** | **(1.2)** | **(1.3)** | **(2.5)** | 25.6 | (3.7) | 21.9 |
| | | | | | | |
| **Cash conversion** | | | | | | |
| - continuing operations | **13.2%** | | **4.6%** | 224.7% | | (12800.0%) |
| - discontinued operation | **(50.0%)** | | **(7.2%)** | 77.3% | | 77.1% |
| **- Total** | **(5.8%)** | | **(4.5%)** | 133.3% | | 187.2% |

**Net debt:** is defined as current and non-current borrowings less cash and cash equivalents, including hire purchase agreements, but excluding any impact of IFRS 16 lease liabilities. Management believes this definition is the most appropriate for monitoring the indebtedness of the Group and is consistent with the treatment in the Group's banking agreements (see Note 14)

### (c) Tax measures

**Underlying effective tax rate (UETR):** The Group reports one adjusted tax measure, which is the tax rate on underlying profit before tax. This is the tax charge applicable to underlying profit before tax expressed as a percentage of underlying profit before tax.

### (d) Other measures

**Order book:** The value of all unworked purchase orders and contracts received from customers at the reporting date, providing an indication of revenue that has been secured and will be recognised in future accounting periods Management does not consider there to be a closely equivalent GAAP measure.

**Order intake:** The value of purchase orders and contracts received from customers during the period. The order intake for the current period was £276.2m (HY 2023/24: £314.3m), including results of the discontinued operation. Management does not consider there to be a closely equivalent GAAP measure.

**Headcount:** Headcount is calculated as the number of colleagues on the payroll at the reporting date and includes subcontractors on a full-time equivalent basis.

## 5. Critical judgements and key sources of estimation uncertainty

**Key sources of estimation uncertainty: Revenue recognition on fixed price contracts**

As set out in Note 1(d) to the Ricardo Plc Annual Report & Accounts 2023/24, management undertakes a process to assess the risks on inception of all fixed price contracts, then monitors and reviews the risks and performance of contracts as they progress to completion. The highest value, highest risk, most technically complex and financially challenging contracts to deliver, as measured against a number of quantitative and qualitative factors, are categorised as 'Red Category 4' contracts, which are subject to more frequent and senior levels of management review.

As at 31 December 2024, five contracts (30 June 2024: seven) were risk-categorised as Red Category 4. An additional contract was also included due to risk of recoverability over debt of £1.0m (30 June 2024: £1.1m). At 31 December 2024, £1.3m (30 June 2024: £1.4m) of revenue had been recognised in respect of work performed on these contracts where outcomes were subject to negotiation with customers. Management has made a specific judgement over the ability to recover each of the amounts under negotiation and has recognised provisions of £1.0m (30 June 2022: £1.1m) against these amounts, resulting in a net exposure of £0.3m (30 June 2024: £0.4m). The possible financial outcomes from these negotiations range from an upside of £1.1m, if management recovers the full £1.0m of revenue and any upside on negotiation, to a downside of £0.3m, if management is unsuccessful in recovering any of the £1.3m.

**Key sources of estimation uncertainty: Recoverable amount calculation used to test the carrying value of goodwill**

In performing the impairment assessment of the carrying amount of goodwill, the recoverable amounts of the CGUs, or groups of CGUs, to which goodwill has been allocated are determined using value-in-use (VIU) and fair value less cost of disposal (FVLCD) calculations. The recoverable amount of each CGU, or group of CGUs, is determined by performing discounted future pre-tax cash flow calculations for a five-year period and projected into perpetuity. Estimates are used for the operating cash flows, growth rates and pre-tax discount rates applied in computing the recoverable amounts of different CGUs, or groups of CGUs. The sensitivity of estimates used to calculate the recoverable value of each CGU, or group of CGUs, are discussed in Note 9.

## 6. Discontinued operation

On 31 December 2024, the Group sold Ricardo Defense Systems LLC and its subsidiaries (together, the Defense operating segment) to a third party. Management committed to a plan to sell this segment in December 2024. The disposal is highly complementary to the Group's five-year strategy and supports the acceleration of Ricardo's portfolio transition to a high growth, high margin and less capital-intensive business in the medium to long term.

The Defense segment was not previously classified as held-for-sale or as a discontinued operation. The results of Defense have now been presented as a discontinued operation and are, as such, analysed separately from continuing operations on the face of the condensed consolidated statement of comprehensive income. When an operation is classified as a discontinued operation, the comparative condensed consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Total consideration for the sale was £72.3m (USD 90.6m), inclusive of adjustments for estimated closing cash and net working capital. £68.5m (USD 85.8m) was satisfied in cash in the period, with £3.8m (USD 4.8m) received in early January 2025.

The total net assets disposed of were £27.2m, including £2.4m of cash held in the business. £0.4m of cumulative currency gains were written off to the condensed consolidated income statement as part of the gains on disposal. Costs directly attributable to the disposal of £7.9m were incurred in the period (cash cost in the period: £1.8m).

The disposal is subject to a completion accounts process, due to be completed during the second half of FY 2024/25, where final adjustments to consideration in respect of net cash and normal working capital will be agreed. Any changes to consideration and the gain on disposal will be reflected in the Group's Annual Report and Accounts for FY 2024/25.

### Effect of disposal on the financial position of the Group as at 31 December 2024

| | £m |
|---|---|
| Goodwill | (3.4) |
| Other intangible assets | (3.4) |
| Property, plant and equipment | (1.4) |
| Right-of-use assets | (1.1) |
| Deferred tax assets | (0.7) |
| Inventories | (13.5) |
| Trade, other and contract receivables | (18.6) |
| Cash and cash equivalents | (2.4) |
| Trade, other and contract payables | 16.2 |
| Obligations under finance & IFRS 16 leases | 1.1 |
| **Net assets and liabilities** | **(27.2)** |
| **Translation reserve** | **(0.4)** |
| | |
| Consideration received, satisfied in cash | 68.5 |
| Cash and cash equivalents disposed of | (2.4) |
| Proceeds from sale of discontinued operation, net of cash disposed | 66.1 |
| Directly attributable fees | (1.8) |
| **Net cash proceeds, after transaction-related costs paid in the period** | **64.3** |

### Result from discontinued operation

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| External revenue | **41.0** | 56.6 |
| External expenses | **(35.7)** | (45.7) |
| **Underlying profit from operating activities** | **5.3** | 10.9 |
| Income tax on underlying result | **(1.4)** | (2.7) |
| **Underlying profit from operating activities, net of tax** | **3.9** | 8.2 |
| Specific adjusting items | **36.8** | (0.1) |
| **Profit from discontinued operation, net of tax** | **40.7** | 8.1 |

### Cash flow from (used in) discontinued operation

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Net cash (used in)/from operating activities | **(3.1)** | 9.1 |
| Net cash from investing activities | **66.1** | - |
| | **63.0** | 9.1 |

## 7. Financial performance by segment

The Group's operating segments are being reported based on the financial information provided to the Chief Operating Decision Maker (the Chief Executive Officer). The information reported includes financial performance but does not include the financial position of assets and liabilities. The operating segments were identified by evaluating the Group’s products and services, processes, types of customers and delivery methods.

The Group reports the following segments: Energy & Environment (EE); Rail; Automotive and Industrial Emerging (Emerging A&I); Automotive and Industrial Established (Established A&I); Performance Products (PP); and Defense (now discontinued).

### Measurement of performance

Management monitors the financial results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segmental performance is measured based on underlying operating profit, as this measure provides management with an overall view of how the different operating segments are managing their total cost base against the revenue generated from their portfolio of contracts.

There are varying levels of integration between the segments. The segments use EE for their specialist environmental knowledge. The A&I segments and PP have various shared projects. There are also shared service costs between the segments. Inter-segment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm’s length basis in a manner similar to transactions with third parties.

Included within Plc costs are costs arising from a central Group function, including the costs of running the public limited company, which are not recharged to the other operating segments.

### Revenue

| | HY 2024/25 | | | HY 2023/24 (restated*) | | |
|---|---|---|---|---|---|---|
| | **Total segment revenue** | **Inter-segment revenue** | **Revenue from external customers** | Total segment revenue | Inter-segment revenue | Revenue from external customers |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Energy & Environment | **50.8** | **(0.4)** | **50.4** | 53.0 | (0.1) | 52.9 |
| Rail | **38.4** | **(0.3)** | **38.1** | 38.3 | (0.2) | 38.1 |
| Emerging Automotive and Industrial | **19.2** | **(0.1)** | **19.1** | 27.5 | - | 27.5 |
| Performance Products | **40.6** | **-** | **40.6** | 38.3 | (0.1) | 38.2 |
| Established Automotive and Industrial | **21.7** | **(0.8)** | **20.9** | 10.9 | - | 10.9 |
| Total continuing operations | **170.7** | **(1.6)** | **169.1** | 168.0 | (0.4) | 167.6 |
| Discontinued operation | **41.0** | **-** | **41.0** | 56.6 | - | 56.6 |
| Total | **211.7** | **(1.6)** | **210.1** | 224.6 | (0.4) | 224.2 |

** From 1 July 2024 the management of Ricardo Strategic Advisory (RSA), historically part of the Emerging A&I segment, was transferred to EE as it was felt that there was closer strategic alignment. The results of RSA are now included within the monthly management results of EE to the Group's Chief Operating Decision Maker (the CEO) and the Ricardo plc Board. The segmental analysis reflects this new allocation, with the prior period restated. The HY 2023/24 revenue for the Emerging A&I segment has decreased by £2.0m with a correlating increase recognised to the revenue of the EE segment.*

Revenue from one customer represents approximately 15% (HY 2023/24: 14%) of the Group's continuing external revenue, which is primarily reported in the PP segment. Over 50% of the Group's revenue from continuing operations was Tier 1 and 2 'Green' per the FTSE Green Revenues Methodology.

### Underlying operating profit/(loss)

| | HY 2024/25 | | | HY 2023/24 *restated | | |
|---|---|---|---|---|---|---|
| | **Underlying operating profit/(loss)** | **Specific adjusting items (*)** | **Operating profit/(loss)** | Underlying operating profit/(loss) | Specific adjusting items (*) | Operating profit/(loss) |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Energy & Environment | **6.8** | **(1.1)** | **5.7** | 8.0 | (1.6) | 6.4 |
| Rail | **4.6** | - | **4.6** | 4.1 | (1.4) | 2.7 |
| Emerging Automotive and Industrial | **1.5** | **(14.0)** | **(12.5)** | (0.7) | (0.4) | (1.1) |
| Performance Products | **2.8** | - | **2.8** | 2.0 | - | 2.0 |
| Established Automotive and Industrial | **(0.4)** | - | **(0.4)** | (3.5) | - | (3.5) |
| Plc | **(7.0)** | **(1.4)** | **(8.4)** | (8.8) | (6.5) | (15.3) |
| Total continuing operations | **8.3** | **(16.5)** | **(8.2)** | 1.1 | (9.9) | (8.8) |
| Discontinued operation | **5.3** | **36.8** | **42.1** | 10.9 | (0.1) | 10.8 |
| Total operating profit/(loss) | **13.6** | **20.3** | **33.9** | 12.0 | (10.0) | 2.0 |
| Net finance costs | | | **(4.3)** | | | (4.1) |
| Total profit/(loss) before tax | | | **29.6** | | | (2.1) |

** RSA recognised a £0.8m underlying loss in HY 2023/24. Following the reallocation of RSA from Emerging A&I to EE, as discussed above, the impact of the restatement is to increase Emerging A&I underlying operating profit for HY 2023/24 whilst decreasing that of EE.*

## 8. Revenue

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Revenue stream** | | | | | | |
| Service provided under: | | | | | | |
| - fixed price contracts | **103.5** | 102.2 | **1.8** | 0.7 | **105.3** | 102.9 |
| - time and materials contracts | **26.0** | 25.1 | **19.4** | 12.7 | **45.4** | 37.8 |
| - subscription and software support contracts | **2.9** | 2.9 | **-** | - | **2.9** | 2.9 |
| Goods supplied: | | | | | **-** | - |
| - manufactured and assembled products | **36.5** | 36.7 | **19.8** | 43.2 | **56.3** | 79.9 |
| - software products | **0.2** | 0.7 | **-** | - | **0.2** | 0.7 |
| Intellectual property | **-** | - | **-** | - | **-** | - |
| Total | **169.1** | 167.6 | **41.0** | 56.6 | **210.1** | 224.2 |
| **Customer location** | | | | | | |
| United Kingdom | **70.8** | 65.5 | **-** | - | **70.8** | 65.5 |
| Europe | **36.4** | 37.3 | **-** | - | **36.4** | 37.3 |
| North America | **18.6** | 22.1 | **41.0** | 56.6 | **59.6** | 78.7 |
| Rest of Asia | **20.0** | 18.0 | **-** | - | **20.0** | 18.0 |
| Australia | **10.8** | 10.4 | **-** | - | **10.8** | 10.4 |
| China | **4.8** | 4.4 | **-** | - | **4.8** | 4.4 |
| Rest of the World | **7.7** | 9.9 | **-** | - | **7.7** | 9.9 |
| Total | **169.1** | 167.6 | **41.0** | 56.6 | **210.1** | 224.2 |
| **Timing of recognition** | | | | | | |
| Over time | **132.6** | 130.8 | **21.2** | 13.4 | **153.8** | 144.2 |
| At a point in time | **36.5** | 36.8 | **19.8** | 43.2 | **56.3** | 80.0 |
| Total | **169.1** | 167.6 | **41.0** | 56.6 | **210.1** | 224.2 |

## 9. Goodwill and impairment

| Movement in goodwill | Note | Six months to 31 December 2024 £m | Year to 30 June 2024 £m |
|---|---|---|---|
| At 1 July | | **96.0** | 96.1 |
| Disposal of business[(2)] | 6 | **(3.5)** | - |
| Impairment[(1)] | | **(14.0)** | - |
| Exchange adjustments | | **(2.5)** | (0.1) |
| **At period end** | | **76.0** | 96.0 |

At 31 December 2024, as required by IAS 36, an assessment was carried out to identify whether any indicators existed that the goodwill, finite life intangibles, and property, plant and equipment balances held by the Group may be impaired.

There has been a significant reduction in the Group's share price since 31 December 2024. An indicator of impairment is therefore considered to exist, and the recoverable amount of each cash-generating unit (CGU) was estimated. Recoverable amount is the higher of the value-in-use (VIU) and fair value less costs of disposal (FVLCD).

The carrying value of goodwill and the key assumptions used in determining the recoverable amount of each CGU, or group of CGUs is as follows:

| | | Carrying value | | Pre-tax discount rate | | Long-term growth rate | |
|---|---|---|---|---|---|---|---|
| | Basis | 31 December 2024 £m | 30 June 2024 £m | 31 December 2024 £m | 30 June 2024 £m | 31 December 2024 £m | 30 June 2024 £m |
| Rail[(4)] | VIU | **43.2** | 44.6 | **14.1%** | 14.3% | **3.4%** | 3.6% |
| Established A&I | VIU | **-** | - | **14.5%** | 14.8% | **(10.0%)** | (10.0%) |
| Emerging A&I[(1)] | VIU | **-** | 14.2 | **14.7%** | 14.7% | **3.3%** | 3.8% |
| E&E[(4)] | VIU | **31.7** | 32.6 | **17.2%** | 16.5% | **5.4%** | 4.7% |
| Defense[(2)] | VIU | **-** | 3.5 | **n/a** | 16.1% | **n/a** | 1.7% |
| PP[(3)] | FVLCD | **1.1** | 1.1 | **12.9%** | 12.4% | **4.2%** | 4.7% |
| **At period end** | | **76.0** | 96.0 | | | | |

(1) **Emerging A&I:** The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. Due to continuing volatility in order intake, exacerbated by general uncertainties over the pace of technology change, expected cash flows for the A&I Emerging business have decreased materially compared to those expected at 30 June 2024, and the carrying amount of the CGU was therefore determined to be higher than its recoverable value. As a result, an impairment charge of £14.0m was recognised in administrative expenses within specific adjusting items for the Emerging A&I operating segment (HY 2023/24: £nil). The £14.0m of assets written off all related to goodwill. After recognising the impairment, the remaining goodwill in this CGU was £nil. No impairment was required to other assets. The full carrying value of Emerging A&I's assets, together with the shared assets used by Emerging A&I along with the Established A&I segment were supported by this calculation. Following the impairment loss recognised, the recoverable amount was equal to the carrying value. Therefore, any adverse change in the key assumptions described below may result in further impairment.

(2) **Defense:** The Group sold the Defense operating segment to a third party on 31 December 2024, removing £3.5m of goodwill in the process.

(3) **Performance Products:** The recoverable amount of this CGU was based on FVLCD, estimated using discounted cash flows. The fair value measurement was classified as Level 3 fair value based on the inputs and the valuation technique used. The key assumptions are set out in the table. The discount rate represents a post-tax discount rate.

(4) **Rail, Energy & Environment:** The movement in the carrying value reflects movements in exchange rates.

The carrying values of Rail, Energy & Environment and Performance Products were all supported by their recoverable amounts.

**Key assumptions**

Discounted cash flow calculations thereon are used to calculate a recoverable amount which is compared to the carrying value of the goodwill and other non-financial assets allocated to each CGU, or group of CGUs at 31 December 2024. These five-year cashflow forecasts are based on the forecast for the remainder of FY 2024/25 and the business plans for years two to five, adjusted to take into consideration trading in HY 2024/25, the current contract portfolio, contract wins, contract retention, price increases, gross margin, as well as future expected market trends (including the impact of climate change, where relevant), adjusted to meet the requirements of IAS 36 Impairment of Assets. As at 31 December 2024, these factors were re-assessed and expected cash flows adjusted accordingly. These forecasts were prepared by management and have been reviewed by the Board.

The risks associated with climate change which have been incorporated into the five-year planning process include the known and expected increased regulation in relation the use of the internal combustion engine (ICE) and the impact that will have on our customers operating in this market. The five-year planning process takes into account the requirement to adapt our product and service portfolios in response to megatrends influenced by climate change. Some risks, such as the risk of sea level rise (see discussion of Principal Risks in the Annual Report FY 2023/24) are expected to arise outside of the timeline of the five-year plan and are not considered sufficiently quantifiable to include in the longer-term element of the recoverable amount calculation. The recoverable amounts of the CGUs include consideration of our commitment to carbon reduction based on the Science Based Targets initiative (SBTi).

Cash flows beyond year five are projected into perpetuity using a long-term growth rate, which is determined as being the lower of the planned compound annual growth rate in each CGUs, or group of CGUs, five-year plan and external third-party forecasts of the prevailing inflation and economic growth rates for each of the territories in which each CGU, or group of CGUs, primarily operates.

Due to regulatory and other changes in the market relating to ICE, a long-term decrease of 10% p.a. has been applied to A&I - Established cashflows.

For VIU, the cash flows are discounted at a pre-tax discount rate, which is derived from externally sourced data and reflects the current market assessment of the Group’s time value of money and risks specific to each CGU. For FVLCD, a post-tax discount rate was used.

Research and Development Expenditure Credits (RDEC) cash flows are included in the VIU calculations for A&I – Established, A&I – Emerging, Performance Products and Energy and Environment.

**Sensitivities**

The recoverable amount calculations were assessed for sensitivity to reasonably possible changes to assumptions. The change in pre-tax discount rate, growth rate, operating profit and working capital which would cause the unit’s (or group of units’) carrying amount to exceed its recoverable amount was identified and an assessment made as to whether that change was considered reasonably possible. In addition, a scenario was modelled for each of a 10% reduction in operating profit, a 10% increase in working capital movement, a 2% increase in the pre-tax discount rate and a 2% decrease in the long-term growth rate, and a scenario with each of these changes combined.

For Rail, EE and PP, under these scenarios, their recoverable amounts exceeded the carrying value of their goodwill.

## 10. Specific adjusting items

Specific adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These items comprise the amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and other items that are included due to their significance, non-recurring nature or amount. Acquisition-related expenditure is incurred by the Group to effect a business combination, including the costs associated with the integration of acquired businesses. Reorganisation costs relate to non-recurring expenditure incurred as part of fundamental restructuring activities, significant impairments of property, plant and equipment, and other items deemed to be one-off in nature.

| | **2024 £m** | 2023 £m |
|---|---|---|
| **Continuing operations** | | |
| Amortisation of acquired intangibles | **1.1** | 2.5 |
| Acquisition-related expenditure | **0.7** | 0.3 |
| Earn-out and employee retention costs | **0.8** | 6.2 |
| Impairment of goodwill in the Emerging A&I segment | **14.0** | - |
| Reorganisation costs | **-** | 0.6 |
| ERP implementation costs | **-** | 0.3 |
| **Total specific adjusting items from continuing operations before tax** | **16.6** | 9.9 |
| Tax credit on specific adjusting items | **(0.3)** | (0.9) |
| **Total specific adjusting items from continuing operations after tax** | **16.3** | 9.0 |
| **Specific adjusting items from discontinued operations** | | |
| Disposal of discontinued operation | **(36.8)** | 0.1 |
| **Total specific adjusting items after tax** | **(20.5)** | 9.1 |

### Amortisation of acquired intangible assets

On acquisition of a business, the purchase price is allocated to assets such as customer contracts and relationships. Amortisation occurs on a straight-line basis over the asset's useful economic life, which is between six to ten years.

### Impairment of goodwill

Following a re-assessment of the value-in-use of the Emerging A&I segment, the goodwill allocated to this cash generating unit was impaired resulting in a charge of £14.0m. This has been recognised within specific adjusting items as it material in nature and does not reflect the underlying trading performance in the period. No other assets were impaired. See Note 9 for further details.

### Acquisition-related expenditure

Acquisition-related expenditure comprises £0.2m (HY 2023/24: nil) of external fees in relation to the acquisition of E3 Advisory Holdings Pty Ltd (E3A), acquired in January 2025. In addition, £0.5m has been recognised in the current period relation to a loss on a foreign exchange contract, taken out to hedge against adverse foreign exchange movements on the translation of the deal consideration, denominated in AUD. The cash cost of acquisition-related expenditure was £0.4m in the period.

The prior period cost of £0.3m related to integration costs resulting from the acquisitions of E3-Modelling S.A. (acquired in January 2023) and Aither Pty Limited (acquired in March 2023).

These costs have been included as specific adjusting items, in line with the Group's policy, as they are incremental and specific to the transactions.

### Earn-out and employee retention costs

£0.8m of costs (HY 2023/24: £6.2m) were incurred in HY 2024/25 in relation to accruals for deferred consideration and management retention payments on the acquisitions of E3M and Aither. These costs have been included as specific adjusting items, consistent with prior periods and in line with the Group's policy.

### Restructuring costs

£0.6m were incurred in the prior period in relation to restructuring of the Established A&I business. No restructuring costs were charged to the income statement in the current period, but £1.1m of cash cost was incurred in respect of restructuring activities that were completed and accrued for in FY 2023/24.

### ERP implementation costs

ERP implementation costs of £0.3m were incurred in the prior period for initial feasibility studies in relation to the proposed implementation of a new Group-wide ERP system. This project is currently on pause.

### Disposal of discontinued operation

The Defense business was sold on 31 December 2024, resulting in a gain on disposal of £36.8m as set out in Note 6 (cash impact: £64.3m). The gain on disposal has been recognised within the result from discontinued operations.

## 11. Earnings per share

| | **2024 £m** | 2023 £m |
|---|---|---|
| **Earnings/(loss) attributable to owners of the parent** | **27.3** | (3.4) |
| Add back the net-of-tax impact of: | | |
| - Amortisation of acquired intangibles | **0.8** | 1.8 |
| - Acquisition-related expenditure | **1.5** | 6.5 |
| - Impairment of goodwill in the Emerging A&I segment | **14.0** | - |
| - Other reorganisation costs and impairment | **-** | 0.4 |
| - ERP implementation costs | **-** | 0.3 |
| - Discontinued operations | **(36.8)** | 0.1 |
| **Underlying earnings attributable to owners of the parent** | **6.8** | 5.7 |

| | **2024 Number of shares millions** | 2023 Number of shares millions |
|---|---|---|
| Basic weighted average number of shares in issue | **62.2** | 62.2 |
| Effect of dilutive potential shares | **0.8** | - |
| **Diluted weighted average number of shares in issue** | **63.0** | 62.2 |

| **Earnings/(loss) per share** | **2024 pence** | 2023 pence |
|---|---|---|
| Basic | **43.9** | (5.5) |
| Diluted | **43.3** | (5.5) |

| **Underlying earnings per share** | **2024 pence** | 2023 pence |
|---|---|---|
| Basic | **10.9** | 9.2 |
| Diluted | **10.8** | 9.2 |

| **Underlying Earnings/(loss) per share from continuing operations** | **2024 pence** | 2023 pence |
|---|---|---|
| Basic | **4.7** | (4.0) |
| Diluted | **4.6** | (4.0) |

| Loss per share from continuing operations | **2024 pence** | 2023 pence |
|---|---|---|
| Basic | **(21.5)** | (18.5) |
| Diluted | **(21.3)** | (18.5) |

| Earnings per share from discontinued operation | **2024 pence** | 2023 pence |
|---|---|---|
| Basic | **65.4** | 13.0 |
| Diluted | **64.6** | 13.0 |

Basic loss per share from continuing operations was 21.5p (HY 2023/24: loss of 18.5p). The Directors consider that underlying earnings per share provides a more useful indication of underlying performance and trends over time. Underlying basic earnings per share from continuing operations for the period was 4.7p (HY 2023/24: loss per share of 4.0p). There are £0.8m potentially dilutive shares (31 December 2023: nil).

## 12. Dividends

| | **2024 £m** | 2023 £m |
|---|---|---|
| Final dividend for prior period: 8.90p per share (2023: 8.61p) per share | **5.5** | 5.4 |

On 6 March 2025 the Directors declared an interim dividend of 1.70p per share, which will be paid gross on 11 April 2025 to holders of ordinary shares on the Company’s register of members on 14 March 2025.

## 13. Fair value of financial assets and liabilities

There are no differences between the fair value of financial assets and liabilities included within the following categories in the condensed consolidated statement of financial position and their carrying value:

- Trade, contract and other receivables;
- Investments;
- Derivative financial assets;
- Cash and cash equivalents;
- Trade, contract and other payables; and
- Derivative financial liabilities.

Derivative financial assets of £0.7m (30 June 2024: £0.8m) and derivative financial liabilities of £1.5m (30 June 2024: £0.5m) relate to foreign exchange forward and swap contracts, which are Level 2 of the fair value hierarchy within IFRS 13 *Fair Value Measurement*. The Group use derivative financial instruments primarily to manage currency risk on its US Dollar, Euro, Chinese Renminbi, Japanese Yen, Hong Kong Dollar and Australian Dollar denominated receivables and payables from its subsidiaries, in addition to managing transactional exposures relating to customer contracts denominated in foreign currencies. It is the Group's policy not to undertake any speculative currency transactions.

**Financial guarantee contracts**

As at 31 December 2024, the Group has the following financial guarantee contracts in place:

- £3.1m in relation to projects in the Middle East (30 June 2024: £6.2m); and
- A guarantee provided to the Ricardo Group Pension Fund (RGPF) for an amount that shall not exceed the employers’ liability, were a debt to arise under Section 75 of the Pensions Act 1995. The guarantee will terminate on 5 April 2026. The outcome of this matter is not expected to give rise to any material cost to the Group on the basis that the Group continues as a going concern.

These financial guarantees are accounted for under IFRS 9, for which no liability has been recognised as they do not have a material impact on the accounts.

**Contingent loan commitments**

In the ordinary course of business, the Group has £13.3m (30 June 2024: £12.6m) of possible obligations for bonds and guarantees placed with the Group's banking and other financial institutions and primarily relating to performance under contracts with customers.

These contingent loan commitments are accounted for under IFRS 9, for which no liability has been recognised as they do not have a material impact on the accounts.

## 14. Net debt

| Analysis of net debt | **31 December 2024 £m** | 30 June 2024 £m | 31 December 2023 £m |
|---|---|---|---|
| **Current assets - cash and cash equivalents** | | | |
| Total cash and cash equivalents | **115.3** | 48.6 | 46.7 |
| Restricted cash | **(3.6)** | (1.3) | - |
| Net cash and cash equivalents | **111.7** | 47.3 | 46.7 |
| **Current liabilities - borrowings** | | | |
| Bank overdrafts repayable on demand | **(18.5)** | (4.3) | (5.5) |
| Hire purchase liabilities maturing within one year | **-** | - | (0.1) |
| Total current borrowings | **(18.5)** | (4.3) | (5.6) |
| **Non-current liabilities - borrowings** | | | |
| Bank loans maturing after one year | **(111.7)** | (102.6) | (104.4) |
| Total non-current borrowings | **(111.7)** | (102.6) | (104.4) |
| **At 31 December** | **(18.5)** | (59.6) | (63.3) |
| | | | |
| Total cash and cash equivalents at 31 December | **111.7** | 47.3 | 46.7 |
| Total borrowings at 31 December | **(130.2)** | (106.9) | (110.0) |
| **At 31 December** | **(18.5)** | (59.6) | (63.3) |

| Movement in net debt | **31 December 2024 £m** | 30 June 2024 £m | 31 December 2023 £m |
|---|---|---|---|
| At 1 July | **(59.6)** | (62.1) | (62.1) |
| Net increase in cash and cash equivalents and bank overdrafts | **52.5** | 7.1 | 4.0 |
| Movement in restricted cash | **(2.3)** | (1.3) | |
| Repayments of hire purchase | **-** | 0.1 | - |
| Proceeds from bank loans | **(15.0)** | (83.0) | (57.0) |
| Repayments of bank loans | **6.0** | 80.0 | 52.0 |
| Amortisation of bank loan fees | **(0.1)** | (0.4) | (0.2) |
| **At 31 December** | **(18.5)** | (59.6) | (63.3) |

Net debt as at 31 December 2024 was £18.5m (30 June 2024: £59.6m). As reported to the Board on a monthly basis, there is sufficient headroom in our banking facilities. At 31 December 2024 the Group held total facilities of £166.1m (30 June 2024: £166.1m). The committed facility consists of a £150.0m multi-currency Revolving Credit Facility (RCF) with an additional uncommitted £50.0m accordion which provides the Group with committed funding through to August 2026. In addition, the Group has uncommitted facilities including overdrafts of £16.1m (30 June 2024: £16.1m), which mature throughout this and the next financial year and are renewable annually.

Non-current bank loans comprise committed facilities of £111.7m (30 June 2024: £102.6m), net of direct issue costs, which were drawn primarily to fund acquisitions and general corporate purposes. These are denominated in Pounds Sterling and have variable rates of interest dependent upon the Group's Adjusted Leverage, which range from 1.65% to 2.45% above SONIA (30 June 2024: 1.65% to 2.45% above SONIA). Adjusted Leverage is defined in the Group's banking documents as being the ratio of total net debt to adjusted EBITDA for the last twelve months, excluding IFRS 16 Leases. Adjusted EBITDA is further defined as being operating profit before interest, tax, depreciation and amortisation, adjusted for any one-off, non-recurring, exceptional costs and acquisitions or disposals during the relevant twelve-month period.

At the reporting date, the Group has an Adjusted Leverage of 0.61x (30 June 2024: 1.25x) which gives rise to an applicable interest rate of SONIA plus 1.65% (30 June 2024: SONIA plus 1.85%). The Group has banking facilities for its UK companies which together have a net overdraft limit, but the balances are presented on a gross basis in the condensed interim financial statements.

## 15. Contingent liabilities

The Group is also involved in commercial disputes and litigation with some customers, which is also in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, the ultimate resolution of these disputes is not expected to have a material effect on the Group's financial position or results.

## 16. Principal risks and uncertainties

The Board regularly reviews its principal risks and uncertainties. To ensure our risk process drives continuous improvement across the business, we monitor the ongoing status and progress of key action plans against each risk on a half-yearly basis. Risk is a key consideration of the Board in all strategic decisions. In the most recent risk review cycle, risks were reviewed which relate to customers and markets; contracts; people; cyber and information security; technology; compliance with laws and regulations; and financing. The approach to mitigation of these principal risks is discussed on pages 75 to 80 of the Group's *Annual Report & Accounts 2023/24*, and the Directors have concluded that the disclosure remains appropriate. These principal risks and uncertainties should be read in conjunction with the Trading Summary and Operating Segments Review for the six months ended 31 December 2024 included within this Interim Report.

## 17. Events after the reporting date

On 7 January 2025, the Group acquired 85% of the share capital of E3 Advisory Holdings Pty Limited (E3A), a company incorporated in Australia. This acquisition is part of the Group's stated strategy to transform its portfolio to better position itself as a leader in the energy and environmental sector.

The undiscounted value of consideration for the 85% interest is AUD 101.4m (£50.7m), including payments for an initial estimate of net cash on completion. AUD 69.0m (£34.5m) was paid on completion, with AUD 32.4m (£16.2m) payable in instalments over the next two years.

The holders of the remaining 15% of equity can exercise a put option for Ricardo to acquire their shares after the third anniversary from completion. The value of the remaining 15% shareholding is based on the future earnings before interest, tax and depreciation (EBITDA) performance of the business in the twelve months to 31 December 2027 at a 9x EBITDA multiple. In the event that management have not exercised their options on the third anniversary of completion of the Acquisition, the Option Price will decrease over time. Ricardo Australia may also elect to mandatorily acquire these shares in certain other circumstances.

The acquisition is subject to a completion accounts process, due to be completed during the second half of FY 2024/25, where final adjustments to consideration in respect of net cash and normal working capital will be agreed. Acquisition accounting, including an assessment of the value of goodwill and acquired intangible assets will be completed by 30 June 2025.

# Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the condensed interim financial statements, which have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as adopted for use in the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

- the highlights, trading summary and operating segments review within this Interim Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  (b) DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Group during that period and any changes in the related party transactions described in the last annual report that could do so.

**By order of the Board:**

| | |
|---|---|
| Graham Ritchie | Judith Cottrell |
| Chief Executive Officer | Chief Financial Officer |

4 March 2025