28 February 2013

Ricardo plc
Interim results for the six months ended 31 December 2012

Ricardo plc is a market leading engineering, automotive and environmental consultancy. We employ over 2,000 professional consultants, engineers, scientists and support staff worldwide. Our client list includes the world's major transportation Original Equipment Manufacturers (OEMs), supply chain organisations, energy companies, financial institutions and governments.

HIGHLIGHTS

- Group revenue £100.3m, £95.4m excluding AEA (31 December 2011: £92.2m)
- Strong closing order book at £136m, £111m excluding AEA (30 June 2012: £107m)
- Underlying* profit before tax up 16% at £7.3m (31 December 2011: £6.3m)
- Underlying* basic earnings per share up 10% to 11.6p (31 December 2011: 10.5p)
- Strong operating cash inflow, post acquisition net debt £2.7m (30 June 2012: net funds £7.9m)
- Interim dividend up 8% to 4.0p per share (31 December 2011: 3.7p)
- Strong trading performance from the UK, trading in Germany remains challenging
- Integration of AEA progressing to plan, earnings enhancing since acquisition

* Excluding specific adjusting items of £1.4m comprising amortisation of acquired intangible assets and acquisition costs

Commenting on the results, Dave Shemmans, Chief Executive Officer said:

"Ricardo has continued to secure good levels of business from a range of market sectors and geographies and as a result the order book is strong, with a solid pipeline. Energy efficiency and emissions reduction remain at the top of industrial and governmental agendas.

"The newly acquired Ricardo-AEA business has settled in well, with clients and the high-quality team transitioning across to new ownership. This business adds further scale, technical competence and an extended new client base to the Group, as well as contributing to our healthy £136m order book.

"The Ricardo strategy for growth and risk mitigation remains robust in a challenging and unpredictable world economy and we remain confident of further progress for the full year."

Further enquiries:

Ricardo plc Tel: 01273 455611
Dave Shemmans, Chief Executive Officer
Paula Bell, Group Finance Director
Website: www.ricardo.com

Kreab Gavin Anderson Tel: 020 7074 1800
Robert Speed

Interim management review

RESULTS

The Group has delivered a robust trading performance in the period, with solid operating results from the UK offset by challenging market conditions in Germany. Throughout the period, business has been secured across multiple geographies and sectors for our Technical Consulting divisions. The Performance Products business continues to be busy with high levels of motorsport and defence activity. Continued emphasis on cost and cash management has yielded benefits and we enter the second half with a healthy order book.

In November 2012 the Group acquired the business and certain operating assets of AEA Technology plc (in administration) ("AEA Europe") for cash consideration of £18m. The acquired business, renamed Ricardo-AEA, is currently delivering to plan, both in terms of expected trading performance and its integration into the wider Ricardo business as part of the Technical Consulting segment. The acquisition supports our ongoing strategy and the continued development of Ricardo as the global multi-industry supplier of high-quality strategic, technical and engineering services.

Group results

The Group closed the period with a robust order book of £136m, including £25m for Ricardo-AEA, which compares to £123m at 31 December 2011 and £107m at 30 June 2012. The order pipeline remains broad with continuing interest from new sectors such as rail and clean energy & power generation.

Revenue in the period was £100.3m, including £4.9m for Ricardo-AEA, which compares to £92.2m in the same period last year. Gross profit improved by £0.8m to £39.9m in the period. Effective cost control measures have led to a reduction in administration expenses in the first half despite inflation.

Underlying results exclude the impact of specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs. Underlying operating profit is up 16% to £7.9m, including £0.4m from Ricardo-AEA, and compares to £6.8m in the six months to 31 December 2011. Net finance costs were £0.6m compared to £0.5m in the same period last year. Underlying profit before tax of £7.3m is up from £6.3m for the comparable period last year. Profit for the period, after tax and specific adjusting items, was £4.9m, compared to £5.4m at December 2011.

Ricardo has continued to invest in R&D and the tax credits associated with this expenditure mean that the Group reports a total net tax charge of £1.0m, representing an effective tax rate of 17% for the half year to 31 December 2012 (31 December 2011 and 30 June 2012: 14%). Underlying basic earnings per share for the first half were 11.6p, up 10% from 10.5p in the comparable period in 2011. Basic earnings per share after specific adjusting items were 9.5p.

Technical Consulting results

The Technical Consulting segment saw a 5% increase in revenue compared to the corresponding period in 2011. This was driven by the AEA Europe acquisition in November as well as growth in the UK, particularly in the passenger car and high performance vehicle sectors. The US experienced slightly decreased revenues, and revenues in Germany fell sharply as demand softened and a key client took some test requirements in-house. The operating profit showed strong improvement in the UK, which was offset by challenging market conditions in Germany and in the US, where an improved US order book has been built for delivery in the following financial year.

Performance Products results

Revenues in the Performance Products segment saw a 25% increase compared to the prior period at £23.6m (31 December 2011: £18.9m). Operating profit increased to £3.6m (31 December 2011: £2.3m). The results were largely driven by increased motorsport activity, delivery of defence vehicles, and improved efficiency and delivery of operations.

Balance sheet

Continued focus on working capital management, and a £3.7m receipt in July resulting from the sale and leaseback of our offices in Germany, enabled the Group to close the period with a strong balance sheet including net debt of only £2.7m (31 December 2011: net funds of £2.4m and 30 June 2012: net funds of £7.9m), despite the £18m cash outflow to fund the AEA Europe acquisition. As at 31 December 2012 the Group had committed borrowing facilities of £35m, all of which expire after more than one year. The Group also had additional short term facilities totalling £17m.

The goodwill arising from the acquisition of AEA Europe is £9.3m, and a review of the goodwill in Germany has been performed in light of the loss of key test bed work which resulted in no impairment.

Pensions

The defined benefit pension scheme deficit of £22.3m compares to £18.4m at 31 December 2011 and £20.4m at 30 June 2012. The increase in the deficit since 30 June 2012 was largely due to the reduction in the discount rate determined by AA bond yields and higher inflation expectations.

Dividend

The Board has declared an increased interim dividend of 4.0p per share (31 December 2011: 3.7p) reflecting the continuing progress made in the business over the last six months and the confident outlook. The dividend will be paid on 8 April 2013 to shareholders on the register at the close of business on 8 March 2013.

MARKET & STRATEGY UPDATE

With continuing uncertainty over the near- and medium-term prospects of the major industrialised economies of Europe and North America, few commentators are projecting more than extremely anaemic levels of overall growth in 2013. In Europe, despite the comparatively positive performance of the German economy and very promising indicators such as UK new car registrations reaching a four-year high in 2012, a further recessionary dip remains a very realistic prospect. Among the major international economic regions, perhaps only Asia-Pacific remains in a pattern of more sure-footed growth, albeit at levels considerably below those enjoyed before the current downturn.

Ricardo's strategic focus upon the development of multiple market sectors, products and technologies and on engaging with customers around the world has enabled the company not only to survive but to grow and prosper. Our efforts to develop new, clean technologies and product innovations; to implement best practice processes for the management of large-scale programmes, and to deliver our services across a global footprint ensures that Ricardo remains highly responsive to our customers' needs in all geographic regions and market sectors served. The protection from over-reliance upon any one industry sector, customer, country or region that this strategy affords has been crucial to Ricardo's success in recent years. The acquisition in late 2012 of the business and certain operating assets of AEA Europe to form the new Ricardo-AEA division, focusing on environmental consulting, is consistent with this strategy.

The continued focus to reduce carbon dioxide emissions, to improve the efficiency of energy usage and to eliminate the release of noxious pollutants and particulates, transcends industrial and geographic boundaries. With the ever-tightening emissions regulation, Ricardo's long-term focus and technical expertise in this area has left it ideally placed to assist major international customers in sectors including the automotive, construction, rail, power generation, marine, off-highway and construction equipment industries. By continuing to develop new technology and innovations in areas that are crucial to the success of our customers' businesses, we ensure that the Ricardo brand remains relevant to their current and future needs.

In the defence market, the continuing threats of asymmetric warfare have resulted in a significant demand for vehicles offering a balance of operational flexibility and fuel efficiency, with uncompromised levels of crew protection. With Ricardo's deep technical knowledge of powertrain systems and energy management technologies, coupled with our capabilities and track record in low-volume, high-performance product manufacture, we are well positioned to realise these opportunities.

In renewable energy, Ricardo is well placed to provide its technical expertise in high-quality design, manufacture, development and testing to the next generation of wind turbines as well as tidal stream and wave energy devices. This is demonstrated in our work supporting David Brown Gear Systems in its collaboration with Samsung Heavy Industries in the design of an innovative 7MW gearbox for a new range of offshore wind turbines.

The increasing order book, order pipeline and the strength of our balance sheet demonstrate the wisdom of Ricardo's diversification strategy; meanwhile, the strategic partnerships in place are providing longer-term visibility and prospects for further expansion. These factors, coupled with a technology strategy targeted at emissions and CO_2 control and a constant drive to recruit and retain the best talent, lead us to believe that the current overall strategy offers a good balance of risk management, avoidance of cyclicality and the promotion of growth.

TECHNICAL CONSULTING

At the core of Ricardo's business model and ethos lies its technical consultancy activity. Using our broad skills base, our deep technical knowledge, specialist expertise and our worldwide network of facilities, we undertake projects at the cutting edge of technology development and product innovation. This ranges from detailed collaborations with customers on advanced engineering work, technology evaluations and market studies to large-scale commercial programmes, encompassing multiple products and international markets. In addition, the technologically informed insights of our strategic consulting teams are in demand from customers seeking to optimise business processes, including the optimisation of their product development and manufacturing strategy. The newly acquired Ricardo-AEA business is also being reported as part of the Technical Consulting segment.

Passenger Car

We have experienced good levels of activity in the major automotive markets of China, Korea and Japan as well as in the UK and US. While recovery is modest within certain manufacturers focused primarily on Western markets, Ricardo's passenger car business has benefited in particular from demand related to growth markets in the developing economies.

Fuel economy and CO_2 reduction continues to take precedence as a global industry priority as well as being driven strongly by consumers. As a result, the support we provide to our clients' product development plans is primarily aimed at reducing fuel consumption in addition to meeting emissions and other legislative requirements.

We continue to invest in an active R&D programme to demonstrate new technologies to improve vehicle efficiency, ranging from smart hybrid systems to intelligent electrification, full battery-electric vehicles and the very latest concepts in clean and efficient production.

In summary, we have secured a number of significant product and technology development programmes across all our principal geographical markets.

Motorcycles, Motorsport and High Performance Vehicles

The motorcycle group is enjoying success with continued business with its premium motorcycle partner in Europe and with new customers in the Far East, having just started two exciting projects with customers in Japan and China, from which we look to develop long-term relationships with these premium OEMs.

The Ricardo motorsport team has enjoyed another excellent start to the year with continued supply of engines and transmissions for the McLaren MP4-12C GT3 together with transmissions for the Japanese Super-GT and many one-make race series such as World Series by Renault, Formula Nippon and Indy Lights. We also continue to supply one of the major F1 teams with transmission components, requiring innovative designs for competition within the new framework for 2014.

Agricultural and Industrial Vehicles & Commercial Vehicles

The sectors continue to develop with strong engagement in Japan and emerging relationships with companies in the Chinese market.

During the period we have conducted Group Board level visits to China and have had senior delegations from Chinese companies visit our UK offices and have received starter orders which may lead to some significant opportunities to deliver consultancy projects and build strategic relationships with a number of major Chinese companies.

Recently we have seen opportunities developing in Western markets for technology and innovation focused work which we are responding to with multi-site teams across the UK, Germany, Italy and the Czech Republic.

In the Industrial Vehicles sector we have recently won a significant follow-on piece of work to assist Israeli Aerospace Industries (IAI) to develop a "Wide-Body" version of TaxiBot. TaxiBot enables airliners to taxi under pilot control without the use of jet engines, saving fuel and reducing noise and exhaust emissions in the vicinity of airports. Successful tests have been ongoing with Lufthansa at Frankfurt airport on the current, narrow body implementation of TaxiBot and the new project will see Ricardo supporting IAI in the development of a version of the system intended for wide-body aircraft.

We have an R&D programme underway for the application of flywheel technology to the hydraulic system of a construction vehicle for energy recovery to improve machine efficiency. The initial test results have been very encouraging and we are planning on demonstrating this technology at the upcoming Bauma show in Munich in April.

Defence

Efforts to deepen our penetration within the defence markets have continued in the UK, US and in designated export markets. In the UK we have broadened our contact with the military customer base and the key defence primes and continue to exploit niche opportunities that are relevant to the market, particularly where we are able to offer intelligent solutions that can reduce costs and accelerate frontline benefits.

Our activities are focused on technical engineering services, strategic consulting and vehicle integration. We have expanded our strategic relationships with a number of the key prime contractors in the UK and international markets.

In the US we have continued to provide technical services for the defence research sector and have made substantial progress in this effort. Having been selected by the United States Defense Advanced Research Projects Agency (DARPA) to stage the FANG Challenge, Ricardo is now engaged in a number of related technology delivery projects for the functional requirements of the US Marine Corps' Amphibious Combat Vehicle. Demand for engineering support services remains strong, and other international markets are now showing additional opportunity for growth.

Market conditions continue to be challenging but the global prospects remain robust, supporting our developing presence in the defence sector.

Rail

Ricardo's rail business is developing in a variety of territories, including North America, Europe and Asia. Ricardo is now recognised as an established supplier to the UK rail industry and to cement that position we are exhibiting at the UK's Railtex exhibition at Earls Court in April.

A number of new customers have been attracted, keen to have the benefits Ricardo technology and expertise can deliver, and these include several global rail OEMs.

Rail projects have drawn on a wide range of Ricardo's capabilities, including engines, driveline, alternative fuels and strategic consultancy.

Interest is growing in natural gas as a locomotive fuel, particularly in North America where the price of gas has fallen considerably in relation to diesel fuel. Ricardo was able to help a Class 1 railroad with a study into the technical and logistical challenges, suggesting solutions which could make the adoption of gas viable. Considering that the larger railroads are measuring their annual fuel consumption in hundreds of millions of gallons the cost saving could be substantial. This expertise is likely to be attractive to a wide range of high-consumption operators.

Ricardo's world-leading capability in large diesel engines has attracted projects from a number of locomotive engine manufacturers, for whom it is vital to comply with ever-tightening emissions regulations and also to satisfy their customers' demands for lower operating costs and increased power density.

Clean Energy & Power Generation
Our capability and expertise across the energy sector has further expanded in recent months with Ricardo providing major clients with engineering solutions in conventional and renewable energy as well as enabling technologies that are required to develop future power systems integration.

In power generation, we continue our focus on – and growth of – the larger-scale generator sets business, and have secured further orders with existing clients as well as new orders. Our clients benefit from our ability to offer performance upgrades, lower emissions solutions, alternative fuels, cost optimisation as well as clean sheet "turnkey" design.

Across the renewables sectors, we continue to support a wide range of clients – including David Brown, Samsung and Atlantis – with new orders in the areas of onshore and offshore wind, tidal stream and concentrated solar power. Most sectors have a cost reduction orientation that fits well with Ricardo's core capabilities. For example, in offshore renewables, a strong focus on "through-life" cost enables Ricardo to differentiate by our deep understanding of the full product development life-cycle.

With respect to enabling technologies, the market continues to move towards "Smart Energy Systems" where all forms of energy use combine: electricity, heat and transportation. This is an attractive area for Ricardo to pursue and already we have secured new contracts in electrical energy storage in the US as well as establishing promising leads in Europe. Given our wide expertise across conventional, renewables and energy storage technologies as well as in electrical vehicles and future transportation infrastructure requirements, Ricardo has an almost unique ability to support clients with power systems integration and optimisation.

Marine
Ricardo provides solutions to marine propulsion system suppliers, enabling them to operate their ships more efficiently, while at the same time we are exploring technologies and new ship energy management architectures – such as hybrid vessels – for next generation high-performance and high-efficiency propulsion systems.

A strong competitive environment with uncertainties over the total cost of ownership prevents huge investments in developing complete new engine architectures. So, attention has moved to upgrades of existing engines, bringing focus onto improving the existing diesel powertrain and the possibility of extending its capability to run on different fuels.

It is expected that in the Emissions Control Areas, the so-called ECAs, use of natural gas and LNG will be increased. Ricardo is well placed to benefit from this demand to investigate technology upgrades to comply with the new emissions standards and at the same time to improve fuel consumption and reliability. Gas engine manufacturers see a business opportunity to integrate their engines into ships and we are asked to support these efforts, along with the subsystems optimisation including remote control and monitoring systems.

Ricardo's marine sector is progressing in central Europe with the development of relationships and co-operation with marine engine manufacturers. We will continue to grow our activities in the rest of Europe, and we continue to pursue opportunities in the US, especially in the area of gas engine integration into river boats – as in Japan, Korea and China as well.

Government

Ricardo provides consultancy services to governments and their agencies based on our in-depth knowledge of future technologies in all our market sectors. Over the last six months, this has proved to be a challenging customer segment given government funding cutbacks in certain quarters. There are a range of future opportunities in Europe and the US for which we are anticipating extended gestation periods in order to conclude. The highlights are a recently completed study to assess the capabilities of the UK Marine Technology sector and being awarded the next multi-year stage of the European Emissions framework/consultancy programme focused on Light Duty Vehicles.

Our offering in the environmental consulting segment of this sector has been greatly strengthened with the acquisition of the business and certain operating assets of AEA Europe and the formation of Ricardo-AEA.

Ricardo-AEA

Integration of Ricardo-AEA has gone well with positive responses from clients and employees. We are now exploring the opportunities that the wider Ricardo technical and geographic experience can bring to further develop our offering.

Opportunities continue to develop in our largest market, the UK public sector. Despite some policy instability and budget pressure, more mature themes continue to evolve, for example energy market reform, sustainable production and consumption, air quality performance and energy efficiency. We also see emergent themes such as resource productivity, fracking and embedded emissions. Ricardo-AEA is well placed to optimise these and we continue to secure notable projects across the range of themes.

Further opportunities are presented by greater European Commission policy clarity on more stringent environmental performance in member states, and Europe's ambitions to capitalise on the economic opportunities presented by the clean technology sectors. Continued market confidence is based on ongoing attention to policy development in core Ricardo-AEA capability areas such as sustainable production and consumption, emissions and bio-energy and increased attention in areas such as water and sustainable cities.

PERFORMANCE PRODUCTS

Demand for Ricardo motorsport transmissions remains strong across a broad range of racing series, particularly in sports car endurance racing around the world.

Our McLaren engine assembly facility has now delivered over 2,400 MP4-12C engines and continues to maintain customer delivery schedules and exceptional quality targets.

Production of rail transmissions has now commenced, with the first tranche expected to be completed by summer 2013. A follow-on order of additional transmissions is anticipated in the coming months, which will take production through the next two years.

Continuing with our successful long-standing collaboration with Bugatti (Veyron), an extension order for the advanced Dual Clutch Transmission (DCT) was received in December 2012, taking production of this award-winning transmission through until 2014.

With the successful completion of the 200th UK MoD Foxhound (Ocelot) vehicle in November 2012 full production has now commenced on the next tranche of 100 vehicles, which are expected to be completed in mid-2013. A further follow-on order for 76 vehicles has been announced by the MoD.

PEOPLE

The management team has been strengthened by the appointment of Thomas Apostolos – formerly an Asia Pacific president of Magna International, and with a strong background in the automotive industry – to lead business activity in the US in its next chapter of growth. In addition Dr Kurt Jonas, who has extensive experience of successfully leading and developing businesses, has been added to our leadership team as acting Managing Director of Ricardo Germany.

As announced on 30 January 2013 Paula Bell gave notice of her intention to resign from the Board and as Group Finance Director. Ricardo is pleased to announce that Bill Jessup has agreed to take up the position of Interim Group Finance Director to oversee the finance function whilst a permanent replacement is identified. Bill previously acted as Ricardo's Interim Group Finance Director in 2010 whilst Paula Bell was on maternity leave. Bill was previously Finance Director of Psion Plc and Brent International Plc. Accordingly, Paula will step down from the Board on 1 April 2013 and remain available in order to ensure an orderly handover.

The recent acquisition of AEA Europe announced in November 2012 has brought in a wealth of expertise and talented staff into the organisation. This has presented an opportunity for joint engagement and collaboration on projects to support diversified growth plans.

OUTLOOK

Energy efficiency and emissions reduction remain at the top of industrial and governmental agendas, and we remain encouraged by the market response to meet the legislation across the world. This is evidenced by the broad range of orders being received across multiple industries that have CO_2 reduction at the core.

The uncertain economic backdrop clearly remains in parts of the world, but the Ricardo strategy of diversification by geography, product and sector continues to provide a solid base for future growth, and we remain confident of further progress for the full year.

Dave Shemmans
Chief Executive Officer
27 February 2013

Note:
Certain statements in this interim management review 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 report, 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.

Condensed consolidated income statement
for the six months ended 31 December 2012

	Notes	Six months ended 31 December 2012 (Unaudited) Underlying £m	Specific adjusting items* £m	Total £m	Six months ended 31 December 2011 (Unaudited) Total £m	Year ended 30 June 2012 (Audited) Total £m
Revenue	*4 & 5*	**100.3**	**-**	**100.3**	92.2	197.4
Cost of sales		**(60.4)**	**-**	**(60.4)**	(53.1)	(115.1)
Gross profit		**39.9**	**-**	**39.9**	39.1	82.3
Administration expenses		**(32.2)**	**(1.4)**	**(33.6)**	(32.4)	(64.2)
Other income		**0.2**	**-**	**0.2**	0.1	0.5
Operating profit	*4*	**7.9**	**(1.4)**	**6.5**	6.8	18.6
Finance income		**0.1**	**-**	**0.1**	0.1	0.3
Finance costs		**(0.7)**	**-**	**(0.7)**	(0.6)	(1.3)
Profit before taxation		**7.3**	**(1.4)**	**5.9**	6.3	17.6
Taxation	*6*	**(1.3)**	**0.3**	**(1.0)**	(0.9)	(2.5)
Profit for the period		**6.0**	**(1.1)**	**4.9**	5.4	15.1
Earnings per ordinary share	*7*					
Basic		**11.6p**	**(2.1)p**	**9.5p**	10.5p	29.3p
Diluted		**11.5p**	**(2.1)p**	**9.4p**	10.3p	29.0p

* Specific adjusting items comprise amortisation of acquired intangible assets and acquisition costs.

Condensed consolidated statement of comprehensive income
for the six months ended 31 December 2012

	Six months ended 31 December 2012 (Unaudited) £m	Six months ended 31 December 2011 (Unaudited) £m	Year ended 30 June 2012 (Audited) £m
Profit for the period	**4.9**	5.4	15.1
Other comprehensive income			
Currency translation on foreign currency net investments	**(0.4)**	(1.3)	(2.0)
Actuarial losses on defined benefit scheme	**(3.7)**	(6.5)	(10.0)
Deferred tax on items taken directly to equity	**0.8**	1.6	2.6
Total other comprehensive income for the period (net of tax)	**(3.3)**	(6.2)	(9.4)
Total comprehensive income for the period	**1.6**	(0.8)	5.7

Condensed consolidated statement of changes in equity
for the six months ended 31 December 2012

	Issued share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 July 2012	13.0	13.9	4.7	58.2	89.8
Profit for the period	-	-	-	4.9	4.9
Other comprehensive income	-	-	(0.4)	(2.9)	(3.3)
Share-based payments	-	-	-	0.1	0.1
Proceeds from shares issued	-	0.1	-	-	0.1
Ordinary share dividends	-	-	-	(4.5)	(4.5)
At 31 December 2012 (unaudited)	**13.0**	**14.0**	**4.3**	**55.8**	**87.1**
At 1 July 2011	12.9	13.8	6.4	56.5	89.6
Profit for the period	-	-	-	5.4	5.4
Other comprehensive income	-	-	(1.2)	(5.0)	(6.2)
Share-based payments	-	-	-	0.2	0.2
Proceeds from shares issued	0.1	0.1	-	-	0.2
Ordinary share dividends	-	-	-	(4.2)	(4.2)
At 31 December 2011 (unaudited)	13.0	13.9	5.2	52.9	85.0
At 1 July 2011	12.9	13.8	6.4	56.5	89.6
Profit for the period	-	-	-	15.1	15.1
Other comprehensive income	-	-	(1.7)	(7.7)	(9.4)
Share-based payments	-	-	-	0.4	0.4
Proceeds from shares issued	0.1	0.1	-	-	0.2
Ordinary share dividends	-	-	-	(6.1)	(6.1)
At 30 June 2012 (audited)	13.0	13.9	4.7	58.2	89.8

Condensed consolidated statement of financial position
as at 31 December 2012

	Notes	**31 December 2012 (Unaudited) £m**	31 December 2011 (Unaudited) £m	30 June 2012 (Audited) £m
Assets				
Non current assets				
Goodwill	*13*	**24.7**	15.7	15.3
Other intangible assets		**16.1**	6.5	6.8
Property, plant and equipment		**44.9**	45.1	45.6
Investment property		**-**	1.7	-
Trade and other receivables		**0.3**	1.5	0.1
Deferred tax assets		**15.1**	16.9	15.4
		101.1	87.4	83.2
Current assets				
Inventories		**7.6**	8.6	8.0
Trade and other receivables		**61.8**	60.4	62.9
Derivative financial assets		**0.1**	-	-
Current taxation		**1.7**	0.7	1.7
Cash and cash equivalents		**9.3**	7.8	10.2
		80.5	77.5	82.8
Total assets		**181.6**	164.9	166.0
Liabilities				
Current liabilities				
Bank loans and overdrafts		**(2.0)**	(5.3)	(2.3)
Trade and other payables		**(54.4)**	(51.7)	(48.2)
Derivative financial liabilities		**-**	(0.1)	(0.2)
Current tax liabilities		**(2.8)**	(2.4)	(2.7)
Provisions		**(2.4)**	(1.2)	(1.7)
		(61.6)	(60.7)	(55.1)
Net current assets		**18.9**	16.8	27.7
Non current liabilities				
Bank loans		**(10.0)**	(0.1)	-
Retirement benefit obligations		**(22.3)**	(18.4)	(20.4)
Deferred tax liabilities		**(0.6)**	(0.7)	(0.7)
		(32.9)	(19.2)	(21.1)
Total liabilities		**(94.5)**	(79.9)	(76.2)
Net assets		**87.1**	85.0	89.8
Shareholders' equity				
Share capital		**13.0**	13.0	13.0
Share premium		**14.0**	13.9	13.9
Other reserves		**4.3**	5.2	4.7
Retained earnings		**55.8**	52.9	58.2
Total equity		**87.1**	85.0	89.8

Condensed consolidated statement of cash flows
for the six months ended 31 December 2012

	Notes	**Six months ended 31 December 2012 (Unaudited) £m**	Six months ended 31 December 2011 (Unaudited) £m	Year ended 30 June 2012 (Audited) £m
Cash flows from operating activities				
Cash generated by operations	*10*	**12.4**	10.5	24.3
Interest received		**0.1**	0.1	0.3
Interest paid		**(0.1)**	(0.2)	(0.4)
Defined benefit pension scheme financing costs		**(0.6)**	(0.4)	(0.9)
Tax paid		**(0.2)**	(0.9)	(0.9)
Net cash generated by operating activities		**11.6**	9.1	22.4
Cash flows from investing activities				
Acquisition of business	*12*	**(18.0)**	-	-
Proceeds of sale of property, plant and equipment		**3.7**	-	-
Purchase of intangible assets		**(1.2)**	(1.4)	(2.5)
Purchase of property, plant and equipment		**(2.3)**	(3.1)	(8.5)
Net cash used by investing activities		**(17.8)**	(4.5)	(11.0)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**0.1**	0.2	0.2
Net proceeds from issue of new bank loan		**10.0**	-	-
Repayment of borrowings		**(1.8)**	(0.7)	(0.8)
Dividends paid to shareholders		**(4.5)**	(4.2)	(6.1)
Net cash generated/(used) by financing activities		**3.8**	(4.7)	(6.7)
Effect of exchange rate changes		**-**	0.2	0.7
Net (decrease)/increase in cash and cash equivalents		**(2.4)**	0.1	5.4
Cash and cash equivalents at beginning of period		**9.8**	4.4	4.4
Net cash and cash equivalents at the end of period		**7.4**	4.5	9.8

Notes to the condensed interim financial statements
for the six months ended 31 December 2012 (unaudited)

1. General information

Ricardo plc is a public limited company incorporated in the UK with a premium listing on the London Stock Exchange. The company's registered office is at the Ricardo Shoreham Technical Centre, Shoreham-by-Sea, West Sussex, BN43 5FG, and its registered number is 222915.

This interim report was approved for issue by the Board of Directors on 27 February 2013. It has not been audited but it has been subject to an independent review by PricewaterhouseCoopers LLP.

This interim report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the year to 30 June 2012 have been extracted from the 2012 Annual Report and Accounts, which was approved by the Board of Directors on 19 September 2012 and delivered to the Registrar of Companies. The report of the auditors on those 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.

2. Basis of preparation

This interim report for the six months ended 31 December 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union. This interim report should be read in conjunction with the Annual Report and Accounts for the year ended 30 June 2012, which has been prepared in accordance with IFRSs as adopted by the European Union.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and for this reason they continue to adopt the going concern basis in preparing this interim report.

3. Accounting policies

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2012, save for certain IAS 34 'Interim Financial Reporting' requirements. There is a new policy in respect of the acquisition related intangible assets.

Acquisition related intangible assets that are either separable or arising from contractual rights are recognised at fair value at date of acquisition. Such intangible assets include customer contracts and relationships, trademarks and software. The fair value of acquired intangible assets is determined by use of appropriate valuation techniques, including the excess earnings and royalty relief method.

Acquisition related intangible assets are amortised by equal instalments over their expected economic life. The estimated useful economic lives are as follows:

• Customer contracts and relationships: 8 years
• Other acquisition related intangibles, consisting of trademarks and software: between 3 and 8 years

The new, revised or amended standards and interpretations shown below are mandatory for the first time for the financial year ending 30 June 2013, none of which have had any significant impact on these financial statements. New, revised or amended standards and interpretations that are not yet effective have not been early adopted.

Standards, amendments and interpretations to published standards
IAS 12 Income Taxes
IAS 1 Presentation of Financial Statements

4. Segmental reporting

The Group's operating segments are being reported based on the financial information provided to the Chief Operating Decision Maker who is the Chief Executive Officer. The reportable segments are Technical Consulting and Performance Products. These were identified by evaluating the following factors; products and services, processes, types of customers and delivery methods.

• Technical Consulting provides services in relation to the development and implementation of engineering projects and in relation to management and operational consultancy, and includes Ricardo-AEA.

• Performance Products generates income from manufacturing, assembly, software sales and related services.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on operating profit. Included within the Head Office and consolidation adjustments column in the tables below are functions managed by a central division (including the costs of running the public company).

Inter-segment revenue is eliminated on consolidation. Transactions were entered into on an arm's length basis in a manner similar to transactions with third parties.

Revenue

(a)	**Six months ended 31 December 2012**				
	External customers £m	**Inter-segment £m**	**Total £m**	**Carried out by other segments £m**	**Revenue earned £m**
Technical Consulting	**76.3**	**0.4**	**76.7**	**-**	**76.7**
Performance Products	**24.0**	**-**	**24.0**	**(0.4)**	**23.6**
	100.3	**0.4**	**100.7**	**(0.4)**	**100.3**

(b)	Six months ended 31 December 2011				
	External customers £m	Inter-segment £m	Total £m	Carried out by other segments £m	Revenue earned £m
Technical Consulting	73.4	-	73.4	(0.1)	73.3
Performance Products	18.8	0.1	18.9	-	18.9
	92.2	0.1	92.3	(0.1)	92.2

(c)	Year ended 30 June 2012				
	External customers £m	Inter-segment £m	Total £m	Carried out by other segments £m	Revenue earned £m
Technical Consulting	149.2	0.5	149.7	(0.1)	149.6
Performance Products	48.2	0.1	48.3	(0.5)	47.8
	197.4	0.6	198.0	(0.6)	197.4

The Technical Consulting results for the six months ended 31 December 2011 have been re-presented to bring them in line with the presentation in the Annual Report and Accounts for the year ended 30 June 2012.

Operating profit

	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
Technical Consulting	**4.7**	5.3	14.7
Performance Products	**3.6**	2.3	5.8
Head Office and consolidation adjustments	**(0.4)**	(0.8)	(1.9)
Underlying operating profit	**7.9**	6.8	18.6
Amortisation of acquired intangible assets	**(0.2)**	-	-
Acquisition costs	**(1.2)**	-	-
Operating profit	**6.5**	6.8	18.6
Finance income	**0.1**	0.1	0.3
Finance costs	**(0.7)**	(0.6)	(1.3)
Profit before tax	**5.9**	6.3	17.6

Assets

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Technical Consulting	**139.1**	122.2	122.8
Performance Products	**19.3**	22.6	22.1
Head Office and consolidation adjustments	**23.2**	20.1	21.1
Total assets in the financial statements	**181.6**	164.9	166.0

5. Revenue by customer location

	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
UK	**49.8**	40.2	96.1
Germany	**7.2**	13.0	22.0
Rest of Europe	**7.9**	5.0	9.6
Europe total	**64.9**	58.2	127.7
US	**16.9**	18.4	34.0
China	**3.3**	4.2	8.6
Japan	**8.4**	6.6	14.5
Malaysia	**2.6**	1.3	4.3
Rest of Asia	**3.0**	3.5	7.7
Asia total	**17.3**	15.6	35.1
Rest of the world	**1.2**	-	0.6
	100.3	92.2	197.4

6. Taxation

	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
UK	**1.2**	0.4	3.0
Overseas	**(0.2)**	0.5	(0.5)
Tax charge on profits	**1.0**	0.9	2.5
Current tax charge	**0.2**	0.6	-
Deferred tax charge	**0.8**	0.3	2.5
Tax charge on profits	**1.0**	0.9	2.5

7. Earnings per share

	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
Earnings	**4.9**	5.4	15.1
Add back amortisation of acquired intangible assets (net of tax)	**0.2**	-	-
Add back acquisition costs (net of tax)	**0.9**	-	-
Underlying earnings	**6.0**	5.4	15.1

	Number of shares millions	Number of shares millions	Number of shares millions
Basic average number of shares in issue	**51.6**	51.5	51.5
Effect of dilutive potential shares	**0.6**	0.7	0.6
Diluted average number of shares in issue	**52.2**	52.2	52.1

Earnings per share	**pence**	pence	pence
Basic	**9.5**	10.5	29.3
Diluted	**9.4**	10.3	29.0

Underlying earnings per share	**pence**	pence	pence
Basic	**11.6**	10.5	29.3
Diluted	**11.5**	10.3	29.0

Underlying earnings per share is shown because the directors consider that this provides a more useful indication of underlying performance and trends over time.

8. Dividends

	Six months ended 31 December 2012 pence/share	Six months ended 31 December 2011 pence/share	**Six months ended 31 December 2012 £m**	Six months ended 31 December 2011 £m
Amounts distributed in the period	**8.7p**	8.1p	**4.5**	4.2
Interim dividend	**4.0p**	3.7p	**2.1**	1.9

9. Related party transactions

Compensation for key management personnel	**Six months ended 31 December 2012 £m**	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
Salaries and other short-term employee benefits	**1.9**	1.6	2.9
Post employment benefits	**0.1**	0.1	0.2
Termination benefits	**0.1**	-	-
Share-based payments	**-**	0.4	0.7
	2.1	2.1	3.8

The key management personnel are the Board of Directors and the Managing Directors within the UK, US, Germany and Asia.

10. Cash generated by operations

	Six months ended 31 December 2012 £m	Six months ended 31 December 2011 £m	Year ended 30 June 2012 £m
Operating profit	**6.5**	6.8	18.6
Adjustments for:			
Share-based payments	**0.1**	0.2	0.4
Cash flow hedges	**(0.2)**	0.2	0.3
Profit on disposal of property, plant and equipment	**-**	-	(0.3)
Depreciation and amortisation	**4.2**	3.8	7.8
Operating cash flows before working capital movements	**10.6**	11.0	26.8
Decrease/(increase) in inventory	**0.4**	(3.4)	(2.8)
Decrease in trade and other receivables	**4.3**	1.1	3.3
(Decrease)/increase in payables	**(1.5)**	3.0	(0.7)
Increase in provisions	**0.4**	0.3	0.7
Pension payments in excess of pension costs	**(1.8)**	(1.5)	(3.0)
Cash generated by operations	**12.4**	10.5	24.3

11. Net (debt)/funds (non-GAAP measure)

Net (debt)/funds is defined by the Group as net cash and cash equivalents less bank loans.

At period end	**31 December 2012 £m**	31 December 2011 £m	30 June 2012 £m
Cash and cash equivalents (current assets)	**9.3**	7.8	10.2
Bank overdrafts (current liabilities)	**(1.9)**	(3.3)	(0.4)
Net cash and cash equivalents	**7.4**	4.5	9.8
Bank loans maturing within one year	**(0.1)**	(2.0)	(1.9)
Bank loans maturing after one year	**(10.0)**	(0.1)	-
Net (debt)/funds	**(2.7)**	2.4	7.9

A bank loan was taken out in the period to assist with the funding of the acquisition, which saw a cash outflow of £18.0m (see note 12).

12. Acquisition

On 8 November 2012 the Group acquired the business and certain operating assets of AEA Europe for total cash consideration of £18.0m.

The following table sets out the consideration paid for AEA Europe, together with the provisional fair value of assets acquired and liabilities assumed.

	£m
Total consideration	18.0
Provisional fair value of identifiable assets acquired and liabilities assumed	
Customer contracts and relationships (included in intangibles)	8.5
Other acquisition related intangible assets	0.3
Other non current assets	0.8
Trade and other receivables	7.3
Trade and other payables	(7.9)
Provisions	(0.3)
Total identifiable net assets	8.7
Goodwill	9.3
Total	18.0

Adjustments are made to identifiable assets and liabilities on acquisition to reflect their fair value. These include the recognition of customer related intangible assets amounting to £8.5m and other acquisition related intangible assets amounting to £0.3m. The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These estimates of fair value may be adjusted in future in accordance with the requirements of IFRS 3 ‘Business Combinations’.

The goodwill arising on acquisition can be ascribed to the existence of a skilled, active workforce, developed expertise and processes and the opportunities to obtain new contracts and develop the business. None of these meet the criteria for recognition as intangible assets separable from goodwill. All of the goodwill recognised is expected to be deductible for tax purposes.

The fair value of trade and other receivables of £7.3m includes trade receivables of £2.7m and amounts recoverable on contracts of £3.6m, all of which is expected to be collectible.

Acquisition related costs of £1.2m have been charged to the condensed consolidated income statement for the six months ended 31 December 2012 and are disclosed as a specific adjusting item.

The revenue included in the condensed consolidated income statement since 8 November 2012 by the acquired business was £4.9m. The underlying operating profit over the same period was £0.4m. This is reported in the Technical Consulting segment.

Had the acquired business been consolidated from 1 July 2012, the condensed consolidated income statement would show revenue of £113.1m and underlying operating profit of £8.9m based on the management accounts.

13. Goodwill

At 31 December 2012, the goodwill balance of £24.7m was made up of £9.3m in respect of AEA Europe (see note 12), £12.7m in respect of the German Technical Consulting business and £2.7m in respect of two businesses which have been fully integrated in Ricardo UK Limited (Gemini and Tarragon).

A review of the German goodwill asset has been performed in light of the loss of a key client and we consider that no impairment is required.

14. Capital commitments

At 31 December 2012, contracts had been placed for future capital expenditure on property, plant and equipment, which have not been provided for in the financial statements, amounting to £1.1m (31 December 2011: £0.4m).

15. Contingent liabilities

It is intended that guarantee will be provided to the Ricardo Group Pension Fund of up to £3.6m in respect of certain contingent liabilities that may arise. In the directors' opinion, after taking appropriate legal advice, the outcome of this legal matter is not expected to give rise to any material cost to the Group.

16. Risks and uncertainties

The Board regularly reviews key risks and uncertainties, which has included the effect of the acquisition of AEA Europe, and have concluded that the disclosures on pages 28 to 29 of the Group's Annual Report for the year ended 30 June 2012 remain appropriate. These should be read in conjunction with the interim management report for the half year ended 31 December 2012.