This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 (as it forms part of Retained EU Law as defined in the European Union (Withdrawal) Act 2018).

For immediate release 8 June 2023

RWS Holdings plc

Half Year Report for the Six Months ended 31 March 2023

Continued strategic progress, guidance maintained

RWS Holdings plc ("RWS", "the Group", "the Company"), a unique world-leading provider of technology-enabled language, content and intellectual property services, today announces its half year results for the six months ended 31 March 2023 ("the first half", "H1 2023" or "HY23").

Financial overview

	H1 2023	**H1 2022 restated[1]**	**Change**
Revenue	£366.3m	£357.3m	+2.5%
Adjusted profit before tax[2]	£54.4m	£60.7m	-10%
Reported profit before tax	£28.7m	£32.9m	-13%
Adjusted basic earnings per share[2]	10.6p	11.9p	-11%
Basic earnings per share	5.4p	6.1p	-11%
Interim dividend	2.40p	2.25p	+7%
Cash conversion[2]	85%	104%	-1900bps

	H1 2023	**FY 2022**	**Change**
Net cash[3]	£57.8m	£71.9m	-£14.1m

H1 2023 highlights

- New business wins and strong retention across all divisions:
    - In a wide variety of end markets, particularly in technology, software and government/defence
    - Reflecting the strength and variety of our product and service portfolio
- Having previously noted that we are seeing more competitive procurement-driven tender processes, we completed a 3-year contract renewal for one of our largest clients and, in the early months of the second half, were encouraged by the positive outcomes of a couple of other tender processes

- Continued good progress on the plans and investments announced in our medium-term strategy at our Capital Markets Day ("CMD") in March 2022:
    - Further revenue development in two of our key growth areas – eLearning and Linguistic Validation
    - Successful launch of our AI Data Services proposition, TrainAI, with important wins early in the second half giving a strong expectation of further momentum
    - Completion of our first transformation programme, on time and on budget – the transition to a single Microsoft collaboration platform

- 2.5% year-on-year revenue growth:
    - 6.8% decrease on an organic constant currency basis ("OCC")[4] reflected some short-term headwinds, as previously outlined:
        - Softer activity levels amongst certain clients in Language Services, as they adapted to changing end markets
        - Weaker demand in Regulated Industries, which we believe is primarily due to regulatory bottlenecks and the impact of new US legislation in Life Sciences
        - Excellent increase in SaaS proportion of licence revenues in Language & Content Technology ("L&CT") to 33% (HY22: 28%), which moderated overall divisional revenue growth in the period, but builds long-term value for FY24 and beyond
        - IP Services performed in line with our expectations, with the introduction of the Unitary Patent ("UP") on 1 June expected to trigger the release of a backlog of deferred patents to grant
    - Strong repeat revenue rate of 98% (FY22: 99%) in our services businesses with an NPS score of +42 (FY22: +41) demonstrating continued high levels of service

- Gross margins broadly maintained at 45.7% (HY22: 45.9%), reflecting:
    - Some overall price recovery of rising costs, with success in some parts of the Group balanced by the competitive dynamics in other end markets where we have prioritised securing longer-term revenue; and
    - Efficiency benefits in Language eXperience Delivery ("LXD"), our production platform, from increased volumes of client content being translated via the LXD, as well as greater use of post-edited machine translation than in HY22
    - Partially offset by some unfavourable changes in language and client mix

- Adjusted profit before tax[2] at £54.4m down 10% on HY22, reflecting reduced volumes, planned investments (in line with our strategy), mitigated by the abovementioned actions and foreign exchange gains

- Adjusted profit before tax[2] margin of 14.9%, down from 17.0% in HY22

- Continued strong cash generation, with cash conversion[2] of 85% resulting in net cash[3] of £57.8m at 31 March 2023 (HY22: £38.2m) after paying a record final dividend for FY22 and the planned investments

- A proposed interim dividend of 2.40p, an increase of 7% (HY22: 2.25p)

- In April the Group successfully managed the impact of a cyber incident after unauthorized access was gained to a legacy application. The UK's Information Commissioner closed its investigation into the breach in early May with no further action

Strategy and outlook

- As previously advised, we anticipate a second-half weighting to the Group's performance and the full year outlook is expected to be in line with latest guidance and current market expectations[5]

- Full year guidance is supported by meaningful cost actions which are expected to have a positive impact in FY23 of £10m

- We are taking further cost actions which are expected to have a positive impact in the region of £25m in FY24

- We remain confident in the multiple long-term growth drivers for our products and services and, as noted at the CMD last year, we believe that the large investments and rapid developments in AI and Large Language Models create clear growth opportunities for the Group

- RWS has longstanding AI capability and expertise in relation to localisation, language and content technology and content development, with a pioneering machine translation solution (Language Weaver), a full data services proposition (TrainAI) and deployment of AI-functionality in our Tridion and Trados products, all of which make us a significant beneficiary of developments in AI

- With 60% of the words that we translate through the LXD being supported by AI, we are already extensive users, benefiting from the efficiency opportunities this technology brings in the medium term

- In parallel, we continue to ramp up our transformation programmes, supporting medium-term margin development and creating the scalable global platform that will underpin our organic and inorganic growth efforts

Intention to launch a share repurchase

- RWS also announces its intention to launch a share repurchase programme of up to £50 million to be completed before the Company's Annual General Meeting in February 2024. The Group maintains a disciplined approach to investment, returns and capital efficiency, and as such considers the launch of a repurchase programme as prudent in light of the Group's cash generation and strong balance sheet. Further details will be announced in due course

- The Group continues to see exciting opportunities to deploy capital organically and via acquisitions. The Group has substantial headroom under its existing facilities even after taking into consideration the proposed repurchase, payment of dividends in line with its dividend policy, and the capital to fund its organic growth and acquisition strategy

Ian El-Mokadem, Chief Executive Officer of RWS, commented:

"The Group continues to make progress with its medium-term growth strategy against a significantly more challenging economic backdrop and a confluence of short-term headwinds. We have seen softer activity levels and some slower decision-making amongst certain clients in the first half, however we remain confident in the structural drivers of demand for our products and services, and the strength of the solutions that we provide. This is borne out by the encouraging number of new business wins in the period across all divisions, the very high levels of retention and satisfaction across our existing client base and the positive outcomes from several of the recent tender processes with some of our largest clients.

"We expect an acceleration of organic growth in the second half, driven by the expected phasing of the impact of the Unitary Patent, the commencement of projects previously postponed by clients in the first half and incremental revenues from our key growth initiatives and product launches. Linguistic Validation and eLearning have continued to build well and our data services proposition, TrainAI, was well received when launched in February, with some encouraging client wins in the early part of the second half.

"TrainAI is just one of RWS's AI-centred products and services and we are already well-established as developers, providers and users of AI technology. Large Language Models (LLMs) represent an exciting development as far as content generation is concerned and have a clear role to play in the localisation market in enhancing existing products like Language Weaver and Trados. However, we do not believe that LLMs are a replacement for dedicated localisation products and services with enterprise-grade security, privacy and domain expertise, which are developed and improved using high-quality data. Clients are looking for us to help them access the benefits and navigate the risks of generative AI technologies and we will continue to develop leading AI-enabled products and associated services for our end markets.

"Notwithstanding the uncertain macroeconomic environment, the Group remains resilient and we are continuing to make the investments in growth initiatives and transformation programmes that will underpin revenue growth and margin development, alongside the efficiency actions we are taking. We see clear opportunities from the growth in AI and will continue to benefit from our diverse and growing client base, wide range of technology-enabled service offerings and global footprint.

"With our strong balance sheet and cash generation, we are actively pursuing acquisitions that could accelerate delivery of our medium-term plans. We are encouraged to see a much more exciting pipeline in the last six months which provides us with attractive opportunities to deploy our cash and we are at an advanced stage with a number of bolt-on opportunities."

For further information, please contact:

RWS Holdings plc	
Andrew Brode, Chairman	
Ian El-Mokadem, Chief Executive Officer	
Candida Davies, Chief Financial Officer	01753 480200
MHP (Financial PR Advisor)	rws@mhpc.com
Katie Hunt / Simon Hockridge / Catherine Chapman	020 3128 8100
	07884 494 112
Numis (Nomad & Joint Broker)	
Stuart Skinner / Kevin Cruickshank / Will Baunton	020 7260 1000
Berenberg (Joint Broker)	
Ben Wright / Toby Flaux / Alix Mecklenburg-Solodkoff	020 3207 7800

The person responsible for releasing this announcement is Jane Hyde, General Counsel and Company Secretary.

About RWS:

RWS Holdings plc is a unique, world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our combination of AI-enabled technology and human expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

Our purpose is unlocking global understanding. By combining cultural understanding, client understanding and technical understanding, our services and technology assist our clients to acquire and retain customers, deliver engaging user experiences, maintain compliance and gain actionable insights into their data and content.

Over the past 20 years we've been evolving our own AI solutions as well as helping clients to explore, build and use multilingual AI applications. With 40+ AI-related patents and more than 100 peer-reviewed papers, we have the experience and expertise to support clients on their AI journey.

We work with over 80% of the world's top 100 brands, more than three-quarters of Fortune's 20 'Most Admired Companies' and almost all of the top pharmaceutical companies, investment banks, law firms and patent filers. Our client base spans Europe, Asia Pacific and North and South America. Our 65+ global locations across five continents service clients in the automotive, chemical, financial, legal, medical, pharmaceutical, technology and telecommunications sectors.

Founded in 1958, RWS is headquartered in the UK and publicly listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: www.rws.com.

Forward-looking statements

This announcement contains certain statements that are forward-looking. These include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, RWS undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. RWS and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

1. *Prior period balances restated to reflect finalisation of Fonto purchase price allocation resulting in an increase of amortisation of acquired intangible assets.*

2. *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance. The definitions for these key performance indicators can be found in the Appendix.*

3. *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*

4. *OCC excludes the impact of acquisitions and assumes constant currency.*

5. *The latest Group-compiled view of analysts' expectations for FY 2023 gives a range of £741.6m-£751.2m for revenue, with a consensus of £747.1m, and a range of £121.3m-£128.3m for adjusted profit before tax, with a consensus of £126.6m, and a range of 23.3p to 25.1p for adjusted EPS, with a consensus of 24.7p.*

Chief Executive Officer's Review

The Group's performance in the first six months of the year ("the first half", "H1 2023" or "HY23") has demonstrated resilience and the robustness of our strategy, our people and our business model in the face of a confluence of short-term headwinds, many of which we expect to improve as we move through the second half of FY23 and into FY24. While we have delivered growth in reported revenues, an encouraging number of new business wins across all divisions and high levels of retention, we have seen softer activity levels and delays to client decision-making due to a combination of both client-specific and more general economic and regulatory factors affecting the end markets that we serve. These led to a decrease in revenue on an organic constant currency ("OCC") basis.[1]

Despite the challenging conditions, our financial strength has enabled us to push ahead with our strategy. We have continued to invest in our defined growth initiatives and the transformation programmes which we believe will continue to support growth, efficiency and margin development over time.

Business overview

RWS is a unique world-leading provider of technology-enabled language, content and intellectual property services. Through content transformation and multilingual data analysis, our combination of technology and cultural expertise helps our clients to grow by ensuring they are understood anywhere, in any language.

The Group is a profitable, highly cash-generative business with a strong track record of growth and value creation. We operate in attractive markets with a combined global size estimated at more than £47bn, where specialist knowledge, security, reputation and scale are critical. We offer a wide range of products and services, delivered with the right blend of technology and human expertise to meet our clients' content needs. AI-based solutions and functionality are increasingly central to our success, and we have long-established AI capability across the content value chain, from the sourcing and validation of training data to the provision of neural machine translation across multiple use cases.

We have successfully diversified in recent years and now occupy leading positions in many of our chosen markets, as well as owning and developing a significant technology stack.

The Group is organised around four operating divisions:

- **Language Services** focuses on localisation and related solutions for a wide range of industry verticals, including automotive, chemical, consumer, manufacturing, retail, technology, travel and telecommunications. The range of services includes localisation, AI-centred data services, eLearning, video localisation and interpreting services. The division has three client segments – global technology enterprises (served by the Enterprise Internationalisation Group), Major Accounts and GoGlobal (both served by the Strategic Solutions Group). RWS's technology products are often provided in combination with its services and the division supports clients at any stage of their globalisation journey.

- **Regulated Industries** provides a range of services for three verticals – life sciences, financial services and the legal sector. Service provision is centred around highly specialised technical translations with a strong emphasis on quality and security. The division's clients include 19 of the world's top 20 pharmaceutical companies, 19 of the top 20 asset management companies and 18 of the top 20 law firms. In the pharmaceutical and medical device verticals, we work in both the clinical and regulatory phases of therapy development and our services often make a critical contribution to life safety.

- **Language & Content Technology** ("L&CT") offers a range of technology products which deliver translation and content management solutions. A pioneer in machine translation ("MT"), Language Weaver is a neural MT product, using linguistic AI. With Trados, RWS offers a suite of translation productivity and management solutions for enterprises, small and medium-sized organisations and professionals. Tridion and Contenta are the Group's content management products, the former focused on both structured and web content solutions, and the latter specialising in technical content solutions for the government and defence sectors. These were supplemented by the acquisition of Fonto in March 2022, a provider of structured content authoring solutions. AI is an increasingly important component in our products, with semantic AI embedded in Tridion to allow more intuitive experiences to be delivered, tailored to each user's context. All these products offer clients enterprise grade privacy, security and quality.

- **IP Services** is one of the world's leading providers of patent translations, filing solutions and IP search, retrieval and monitoring services. The division delivers highly specialised technical translations to patent applicants and their representatives and counts 18 of the world's top 20 patent filers as its clients.

Language eXperience Delivery ("LXD"), RWS's unique production platform, translates an increasing proportion of client content from the Language Services and Regulated Industries divisions. In the financial year ending 30 September 2024 ("FY24"), the LXD will also start to process content from the IP Services division. The LXD uses RWS's technology products to support operational efficiency and excellence in the delivery of solutions to clients - the Trados Enterprise product is deployed to aid translation productivity and management and Language Weaver AI is routinely used both to analyse client content to enable it to be better assigned to linguists and to pre-translate content before it is post-edited by linguists. More than 60% of the words that are handled by the LXD are machine-translated first by Language Weaver, making the LXD an extensive and experienced user of AI.

Our strategy

RWS is confident that its medium-term strategy will support the next phase of the Group's development and will help build a long-term sustainable business, delivering financial and social value. Through our defined growth initiatives, we are accelerating penetration into existing higher growth segments, leveraging our capabilities into adjacent higher growth segments, and re-affirming our technology product leadership. We are also expanding the range of services that we offer to clients - in a climate where clients' budgets are under pressure, the ability to offer more, across the localisation and content creation value chain, gives us a range of opportunities to cross-sell and up-sell to existing clients.

AI is at the heart of these developments and we are already well-established as developers, providers and users of AI technology, through products such as Language Weaver and AI data services such as TrainAI. Large Language Models (LLMs) represent an exciting development as far as content generation is concerned and have a clear role to play in the localisation market in enhancing existing products in our portfolio such as Language Weaver and Trados. However, we do not believe that LLMs are a replacement for dedicated localisation products and services with enterprise-grade security, privacy and domain expertise, which are developed and improved using high-quality data.

In parallel we are investing to create an efficient scalable platform that can underpin both organic and inorganic growth. We completed the first of five transformation programmes in January, on time and on budget, (with the move to a single Microsoft collaboration tool) and we continue to make progress with each of the other four – HR, Finance, IP Services and the LXD. The LXD transformation programme will deliver operational leverage as we create the sector's most efficient production platform, rationalising the way that we work with our freelance community, streamlining systems and, as noted above, continuing to direct a greater proportion of our localisation work through the LXD.

RWS's strong cash position means that the Group continues to seek acquisitions which accelerate delivery of our medium-term plans. Our disciplined M&A programme is focused on selectively acquiring complementary businesses which enhance our organic growth profile and fit with our strategic priorities to add:

- localisation assets with attractive end market exposure;
- new capabilities in AI technology and technology-enabled language services;
- assets that broaden our natural language processing or content management capabilities; and
- data annotation solutions.

Our strategy is underpinned by the RWS Growth Model, which demonstrates our unique position and the basis on which we will deliver our strategy.

The Growth Model's five components are:

- Building long-term client relationships – we offer a comprehensive range of services and products, with configurable solutions to meet any mix of quality, value and speed requirements from clients, who also benefit from dedicated sector account management teams and specialist sector expertise in areas such as life sciences, technology and intellectual property.
- Deepening our cultural and technical expertise– we support over 429 language pairs and have access to more than 30,000 freelance linguists alongside nearly 1,700 that we directly employ. We have rich and varied data – translation memories, term bases and accumulated knowledge about brands and their voices and different cultures. We also invest in future linguistic and technical talent via the RWS Campus programme.
- Deploying our unique technology and AI – we are machine translation pioneers via our AI-driven Language Weaver product, and our neural MT research team is accredited with more than 40 patents. The Trados suite offers a range of market-leading cloud-oriented translation management and productivity tools, and we provide complementary content management technologies through Tridion to allow brands to better reach their audiences. Contenta offers specialised content management for the defence and aerospace sectors. Our technology product suite is sold both separately and alongside our service solutions, as well as supporting our internal efficiency and effectiveness.
- Developing our portfolio – RWS consistently delivers strong cash generation. As a result, the Group has the ability to invest in service and technical development to support our clients as they innovate and grow. Our strong balance sheet also allows us to make further value accretive acquisitions which will support our move into higher growth segments.
- Leveraging our global scale and reach – The LXD provides 24 x 7 coverage via a blend of human expertise and technology. The platform delivers operational leverage, with potential for sustained efficiency and margin improvement. We are also investing to establish effective and lean shared services which will support our four operating divisions and facilitate the integration of acquisitions and continued margin development.

Half year results

The Group increased revenues to £366.3m compared with £357.3m in the six months ended 31 March 2022 ("HY22"), a 2.5% improvement. On an OCC basis and excluding acquisitions, revenues fell by 6.8%. Gross margins were broadly maintained at 45.7% (HY22: 45.9%).

The Group achieved an Adjusted PBT[2] of £54.4m in the first half-year, a decrease of 10% compared with £60.7m in HY22. Adjusted profit before tax is stated before exceptional items, share-based payment expenses and amortisation of acquired intangibles. On the same basis, adjusted earnings per share decreased by 11% to 10.6p (HY22: 11.9p).

Taxation

The adjusted effective tax rate[3] for the Group was 24.4% (HY22: 23.7%). This increase reflects the impact of different tax rates in the geographical locations where profits are made, together with the impact of movements in provisions as part of our regular reassessment of tax exposures across the Group.

Currency and FX

The Group remains exposed to movements in the US dollar exchange rate reflecting the fact that the majority of revenues are denominated in US dollars (approximately 52%). The Group continues to hedge transactional risk while relying on constant currency reporting to highlight underlying translation risk, which remains unhedged. The Group uses forward exchange contracts to hedge risk at both Group and divisional level.

Cash Flow

Net cash flow from operating activities was £60.2m (HY22: £60.1m). During the first half, the major cash outlays were the final dividend of £37.0m, the final purchase consideration for the Iconic acquisition of £4.2m, intangible asset additions of £20.5m and tax payments of £11.2m.

Balance sheet and liquidity

At 31 March 2023, shareholders' funds amounted to £1,062.7m (HY22: £1,012.1m). At the same date, the Group had net cash[4] of £57.8m (FY22: £71.9m), comprising cash of £76.3m less borrowings of £18.5m. RWS has a significantly cash generative business model and the Board is confident that the Group's cash generation and liquidity put it in a strong position to further invest in organic growth as well as explore suitable acquisition opportunities. In addition to its cash reserves, the Group had drawn US$26m of its US$220m banking facility, leaving headroom of US$194m at the period end and total liquidity of £233m.

Dividend

The Directors have approved an interim dividend of 2.40p per share, reflecting a 7% increase over the 2.25p interim dividend in FY22. This reflects the Group's strong financial position, its cash generative business model and the Board's confidence in its future prospects.

The dividend will be paid on 21 July 2023 to shareholders on the register at 23 June 2023 and the ex-dividend date is 22 June 2023. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in 2003.

Cost actions taken

The Group is taking meaningful cost actions, across all divisions and functions, and encompassing headcount and non-headcount spend, which are expected to have a positive impact in FY23 of £10m against plan, and additionally in FY24 in the region of £25m.

In the second half of FY23 we expect to incur approximately £12m of exceptional costs associated with implementing these actions.

Operating review

Language Services

The Language Services division, which represented 44% of Group revenues (HY22: 44%) in the period, generated revenues of £160.9m (HY22: £158.7m). This was equivalent to a decrease of 8% on an OCC[1] basis.

In the first half we continued to see reduced activity from some of our clients as they adapted their priorities to changes in their end markets. Retention and satisfaction nevertheless remained high and we therefore remain confident in the strength of these longstanding relationships and our ability to service their very diverse needs.

We continue to win new business across the division, including Norse Atlantic Airways, for whom we have recently delivered multilingual booking websites and online experiences across any device or channel, using a combination of our language services expertise and our Tridion solution. As previously noted, we are seeing more competitive procurement-driven tender processes, especially in the technology sector. Whilst these situations are raising the potential for us to gain share and cross-sell new services, there is also a risk of some revenue loss or margin impact in some of our existing business. Encouragingly, we completed a 3-year contract renewal for one of our largest clients in the first half and, in the early months of the second half, have been encouraged by the positive outcomes of a couple of other tender processes.

In respect of the division's growth initiatives, eLearning performed well during the period and we have seen some success in selling the solution to clients in the Regulated Industries division. In February we launched TrainAI, a refreshed proposition focused on the range of data services that we have been providing to several of our largest technology clients since 2016. This is focused on helping organisations ensure that their own AI models are trained with dependable and responsible data and encompasses data collection, annotation and validation services. The service is backed by a global community of more than 100,000 annotators and linguists.

We have been encouraged by the market's reception and the sales and marketing drive which is supporting the launch has already led to some wins early in the second half. Our pipeline is rapidly expanding in this area. Two of our major clients have approved us to train data for the next stage of their AI programmes, giving a strong expectation of further momentum. These large pilots will provide us with strong references amongst the data services buyer landscape and are expected to lead to growth in this developing area.

The division's adjusted[2] operating profit was £13.0m (HY22: £19.6m), driven by reduced activity and planned investments.

Regulated Industries

In Regulated Industries, reported revenues were £84.9m (HY22: £85.6m), representing 23% of Group revenues (HY22: 24%). First half revenues, which fell by 9% on an OCC[1] basis, were impacted year-on-year by the loss of a major CRO client, as per previous guidance. The division saw softer trading conditions with several Life Sciences clients showing reduced levels of activity at the regulatory stage of therapy development (towards which our activities are skewed) compared with the same period last year and the impact of new legislation in the USA, such as the Inflation Reduction Act. We do not expect this to continue, as the bottlenecks in the US and European regulatory approvals process will be resolved and ongoing early-stage investment by pharmaceutical companies feeds through into increased regulatory activity in due course. Retention of the existing client base remains very high.

By contrast, Linguistic Validation, one of our growth initiatives, and a service focused on the clinical stage of drug development, has once again performed well and we continue to benefit from our strong position in this market. In the Financial and Legal Services segment, we achieved healthy growth, in part due to the requirement on clients to comply with the PRIIPS regulations, as expected.

Adjusted[2] operating profit for Regulated Industries was £11.7m (HY22: £16.8m), reflecting lower activity levels and the impact of the loss of the major CRO client, partially mitigated by early cost actions.

Language & Content Technology

Language & Content Technology ("L&CT") revenues were £67.6m (proforma HY22: £63.2m), approximately 18% of Group revenues (HY22: 17%). This represented a decline of 1% on an OCC[1] basis.

We continue to see a shift in our licence models to SaaS, linked to the increased R&D investments in our technology products. We achieved an excellent 29% growth in SaaS revenues in the period versus HY22, meaning total SaaS revenues now represent 33% of the divisional licence revenues in the period (HY22: 28%). This shift is slightly ahead of plan and has contributed to a c.4% headwind versus the comparative. Whilst this moderated overall divisional revenue growth in the period, we believe it builds long-term value for FY24 and beyond, by supporting greater stability and predictability of future revenue streams.

We are continuing to make good progress in the division overall. At the end of the period, we delivered a significant up-sell of two of our content technology products (Tridion and Fonto) to an existing major client in Life Sciences and we continue to win new logos across a range of end markets, including defence, government, software and infrastructure. We saw a rise in new bookings for Language Weaver in the last few weeks of the half, confirming its clear advantage over other solutions in terms of security, quality and precision. Language Weaver is now used by half of the world's leading 20 law firms.

In the second half, new Tridion releases (both the Sites and the Docs versions of the product) are expected to contribute to further strong progress in the division. We are supporting clients to migrate from legacy products to the ones that are the basis of our forward technology strategy.

Adjusted[2] operating profit for the division was £15.5m (proforma HY22: £18.2m), impacted by the intended transition from one off licence purchases to a higher proportion of SaaS revenues.

IP Services

In IP Services revenues were £52.9m (HY22: £53.2m), representing 14% of Group revenues (HY22: 15%). The decline in revenues on an OCC[1] basis (-6%) in the period was in line with our expectations as clients opted to defer their patent applications in order to benefit from protection under the Unitary Patent ("UP").

As noted in April's trading statement, the UP was introduced on 1 June and, with patents granting from 7 June, we anticipate the release of a backlog of client work which is expected to underpin revenues in the second half. Any deferred patents are granting now with all corresponding UP requests and national validation activities needing to be completed by September 2023. As such, and with the positive impact from a divisional sales improvement initiative, trading remains on track for the year and we anticipate that the total volume of patents granted by the European Patent Office in calendar year 2023 will exceed the level in calendar year 2022. Nevertheless, we remain highly engaged with clients to understand their evolving approach to the UP. Elsewhere in the division we delivered solid growth in the Worldfile segment.

Continuing action has been taken during the first half to lower our cost base in IP Services and we also implemented some changes to the division's leadership team, with a particular focus on strengthening sales capability and effectiveness. This has been reflected in the encouraging number of new logos that we have won in recent months across a range of end markets.

Strong cost control meant that the division delivered an adjusted[2] operating profit of £13.1m (HY22: £13.4m).

Sustainability and ESG

Clients increasingly ask us, as their partners, to make commitments to help them on their own sustainability journeys and/or give detailed information about our progress and our assurance ratings in tender processes. We remain committed to being transparent with all our stakeholders in respect of the progress we are making and have once again embarked on our annual engagement programme on double materiality.

On environmental matters, we have continued to gather the baseline data that will enable us to set science-based targets to meet our declared carbon emission target – a reduction of 55% by 2030 - and we continue to drive a range of local actions across our estate to lower energy usage and minimise waste.

After reconstituting The RWS Foundation in FY22, it was relaunched in February this year. The RWS Foundation is a charitable trust that aims to make a positive contribution to unlocking global understanding. Beneficiaries of The RWS Foundation will cover broadly three areas: Language and Content Transformation; Diversity, Equity and Inclusion; and Quality Education. Using RWS's global scale and reach, The RWS Foundation also provides a way for donors and volunteers – whether RWS, individuals or partners – to support charities and humanitarian efforts.

On governance, we launched a refreshed health and safety policy with associated mandatory training, completed by more than 86% of colleagues. In the early months of the second half, we asked colleagues to complete their refresher training on information security and shared a revised policy on whistleblowing, alongside an awareness campaign. In April we managed the impact of a cyber incident successfully after unauthorized access was gained to a legacy application in the Regulated Industries division. The UK's Information Commissioner was informed and in early May confirmed it had closed its investigation into the breach with no further action.

We have recently also published our Global Reporting Initiative framework report which received third-party assurance.

People and Board

Once again I would like to thank my talented and hard-working colleagues for continuing to deliver for our clients and one another through another uncertain period for the world. Whether it is our linguists (both in-house and the freelance community who work with us), our technology experts, our client service and sales teams or the functions that support them, they each make a vital contribution. With the final easing of travel restrictions, I have been able to visit our teams in the Czech Republic, France, India, Japan, Korea and the US in the last six months and see first-hand some of the innovation they have been working on, as well as meet with some of our clients.

We have continued to address the feedback from our 2022 colleague engagement survey, with action plans in place at Group and local levels to drive improvements. We launched a recognition programme during the period and received almost 500 colleague nominations for the first half. We are confident that these initiatives are contributing to strong levels of colleague retention. Colleague attrition levels have fallen to 12.5% in the 12 months ended 31 March 2023, compared with 15.9% for the 12 months ended 30 September 2022.[5]

At the start of the financial year, Candida Davies joined the Board as CFO and had a full three-month handover with interim CFO Rod Day before he left the Group on 31 December 2022. I would like to thank Rod for the significant contribution he made during his year with the Group, including initiating the finance transformation programme, and his support to Candida during their handover. Jane Hyde also joined the Group as General Counsel and Company Secretary at the start of October. In November, Daniel Bennett joined the Executive Team as President, IP Services.

We were shocked by the terrible earthquake in Turkey and Syria in February and the impact it had on communities. Although we do not have an office in Turkey, we do have a number of home-based team members and we are providing ongoing support to them and their immediate families. Colleague donations raised more than £7,500 to support humanitarian efforts and The RWS Foundation made a £10,000 donation to the humanitarian appeal. We have continued to support our Ukrainian colleagues affected by the ongoing conflict.

At 31 March 2023 the number of full-time equivalent colleagues in the Group was 7,944 (HY22: 7,920)[6].

Intention to launch a Share Repurchase

RWS also announces its intention to launch a share repurchase programme of up to £50 million to be completed before the Company's Annual General Meeting in February 2024. The Group maintains a disciplined approach to investment, returns and capital efficiency, and as such considers the launch of a repurchase programme as prudent in light of the Group’s cash generation and strong balance sheet. Further details will be announced in due course.

The Group continues to see exciting opportunities to deploy capital organically and via acquisitions. The Group has substantial headroom under its existing facilities even after taking into consideration the proposed repurchase, payment of dividends in line with its dividend policy, and the capital to fund its organic growth and acquisition strategy.

Current trading and outlook

Against a significantly more challenging economic backdrop and a confluence of short-term headwinds, the Group continues to make progress in implementing its medium-term strategy, with encouraging evidence that pivoting into higher growth segments through our declared growth levers are supporting revenue improvement. Retention and satisfaction levels amongst existing clients remain strong.

We continue to invest in our technology products and are adding AI-based functionality and features to the Trados and Tridion solutions, alongside further development of Language Weaver. Together with our AI data services proposition (TrainAI) and our core localisation services propositions, we remain confident that we have the right range of solutions to meet evolving client needs, in particular to help them access the benefits and navigate the risks of generative AI technologies.

After successfully completing our first transformation programme, we are focused on ramping up the other four and remain on track to start delivering the margin benefits that will result from them in FY24. These transformations will support our growth ambitions and deliver the lean shared services to allow us to scale effectively. In parallel, we are taking meaningful cost actions which will have a positive impact in the region of £25m in FY24.

For the full year, with the benefit of new client wins, the expected phasing of the impact of the Unitary Patent , the impact of new product launches and further revenues from our growth initiatives, we anticipate an acceleration of organic growth in the second half, delivering a performance in line with current market expectations.[7] We are encouraged to see a much more exciting M&A pipeline in the last six months which provides us with attractive opportunities to deploy our cash and we are at an advanced stage with a number of bolt-on opportunities.

Ian El-Mokadem
Chief Executive Officer
7 June 2023

1. *OCC excludes the impact of acquisitions and assumes constant currency.*
2. *RWS uses adjusted results as key performance indicators as the directors believe these provide a more consistent measure of operating performance. The definitions for these key performance indicators can be found in the Appendix.*
3. *The adjusted effective tax rate is the effective tax rate before exceptional items, amortisation of acquired intangibles, tax on exceptional items and prior year adjustments.*
4. *Net cash comprises cash and cash equivalents less loans but before deducting lease liabilities.*
5. *Calculated as number of leavers during the financial year, on a rolling last twelve months basis, divided by average headcount over the same period, noting the constraints imposed by having multiple HR systems.*
6. *FY22 Full Time Equivalent figure restated.*
7. *The latest Group-compiled view of analysts' expectations for FY 2023 gives a range of £741.6m-£751.2m for revenue, with a consensus of £747.1m, and a range of £121.3m-£128.3m for adjusted profit before tax, with a consensus of £126.6m, and a range of 23.3p to 25.1p for adjusted EPS, with a consensus of 24.7p.*

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	**6 months ended 31 March 2023 (Unaudited) £m**	(Restated) 6 months ended 31 March 2022 (Unaudited) £m
Revenue	2	**366.3**	357.3
Cost of sales		**(198.9)**	(193.3)
Gross profit		**167.4**	164.0
Administrative expenses		**(136.8)**	(129.8)
Operating profit		**30.6**	34.2
Analysed as:			
Operating profit before charging:		**56.3**	62.0
Exceptional items – other	4	**(3.5)**	(8.8)
Exceptional items – acquisition-related costs	4	**(1.6)**	(0.4)
Share-based payment expenses		**(1.3)**	(1.8)
Amortisation of acquired intangibles		**(19.3)**	(16.8)
Operating profit		**30.6**	34.2
Net finance costs	3	**(1.9)**	(1.3)
Profit before tax		**28.7**	32.9
Taxation	5	**(7.8)**	(9.3)
Profit for the period attributable to the equity holders of the parent company	2	**20.9**	23.6
Other comprehensive (expense)/ income			
(Loss)/ gain on retranslation of foreign operations (net of deferred tax)		**(67.7)**	9.4
Gain/ (loss) on cash flow hedges (net of deferred tax)		**5.9**	(0.7)
Total other comprehensive (expense)/ income		**(61.8)**	8.7
Total comprehensive (expense)/ income attributable to owners of the Parent		**(40.9)**	32.3
Basic earnings per ordinary share (pence per share)	7	**5.4**	6.1
Diluted earnings per ordinary share (pence per share)	7	**5.4**	6.0

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	**31 March 2023 (Unaudited) £m**	(Restated) 31 March 2022 (Unaudited) £m	30 September 2022 (Audited) £m
Assets				
Non-current assets				
Goodwill		**653.3**	629.2	692.6
Intangible assets		**359.7**	366.2	385.4
Property, plant and equipment		**29.7**	31.1	31.3
Right-of-use assets		**31.8**	40.0	39.0
Non-current income tax receivable		**1.0**	-	1.0
Deferred tax assets		**1.1**	1.2	1.1
		1,076.6	1,067.7	1,150.4
Current assets				
Trade and other receivables		**196.3**	189.2	220.5
Foreign exchange derivatives		**8.0**	-	-
Income tax receivable		**3.0**	6.7	4.2
Cash and cash equivalents	8	**76.3**	80.6	101.2
		283.6	276.5	325.9
Total assets		**1,360.2**	1,344.2	1,476.3
Liabilities				
Current liabilities				
Trade and other payables		**154.3**	152.6	165.6
Lease liabilities		**9.8**	11.9	11.8
Foreign exchange derivatives		**-**	1.6	0.6
Income tax payable		**19.4**	22.3	22.7
Provisions		**2.5**	3.3	2.9
		186.0	191.7	203.6
Non-current liabilities				
Loans	9	**18.5**	42.4	29.3
Lease liabilities		**28.7**	36.4	34.9
Trade and other payables		**5.0**	2.6	3.5
Provisions		**4.3**	5.3	4.9
Deferred tax liabilities		**55.0**	53.7	58.4
		111.5	140.4	131.0
Total liabilities		**297.5**	332.1	334.6
Total net assets		**1,062.7**	1,012.1	1,141.7
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		**3.9**	3.9	3.9
Share premium		**54.5**	54.3	54.4
Share-based payment reserve		**4.8**	4.6	6.0
Reverse acquisition reserve		**(8.5)**	(8.5)	(8.5)
Merger reserve		**624.4**	624.4	624.4
Foreign currency reserve		**28.2**	(8.1)	95.9
Hedge reserve		**0.4**	0.5	(5.5)
Retained earnings		**355.0**	341.0	371.1
Total equity		**1,062.7**	1,012.1	1,141.7

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves (see below) £m	Retained earnings £m	Total attributable to owners of parent £m
At 30 September 2021	**3.9**	**54.2**	**602.4**	**350.4**	**1,010.9**
Profit for the period	-	-	-	23.6	23.6
Loss on cash flow hedges	-	-	(0.7)	-	(0.7)
Gain on retranslation of foreign operations	-	-	9.4	-	9.4
Total comprehensive income for the period to 31 March 2022	-	-	8.7	23.6	32.3
Issue of shares (net of issue costs)	-	0.1	-	-	0.1
Dividends	-	-	-	(33.1)	(33.1)
Share-based payments expense	-	-	1.8	-	1.8
Deferred tax on share-based payments	-	-	-	0.1	0.1
At 31 March 2022 (unaudited)	**3.9**	**54.3**	**612.9**	**341.0**	**1,012.1**
At 30 September 2022	**3.9**	**54.4**	**712.3**	**371.1**	**1,141.7**
Profit for the period	-	-	-	20.9	20.9
Gain on cash flow hedges	-	-	5.9	-	5.9
Loss on retranslation of foreign operations	-	-	(67.7)	-	(67.7)
Total comprehensive (expense)/ income for the period to 31 March 2023	-	-	(61.8)	20.9	(40.9)
Issue of shares (net of issue costs)	-	0.1	-	-	0.1
Dividends	-	-	-	(37.0)	(37.0)
Cash-settled share-based payments	-	-	(2.5)	-	(2.5)
Share-based payments expense	-	-	1.3	-	1.3
At 31 March 2023 (unaudited)	**3.9**	**54.5**	**649.3**	**355.0**	**1,062.7**

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

Other reserves	Share-based payment reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Hedge reserve £m	Foreign currency reserve £m	Total other reserves £m
At 30 September 2021	2.8	(8.5)	624.4	1.2	(17.5)	602.4
Other comprehensive (expense)/ income for the period to 31 March 2022	-	-	-	(0.7)	9.4	8.7
Share-based payments expense	1.8	-	-	-	-	1.8
At 31 March 2022 (unaudited)	**4.6**	**(8.5)**	**624.4**	**0.5**	**(8.1)**	**612.9**
At 30 September 2022	6.0	(8.5)	624.4	(5.5)	95.9	**712.3**
Other comprehensive income/ (expense) for the period to 31 March 2023	-	-	-	5.9	(67.7)	**(61.8)**
Cash-settled share-based payments	(2.5)	-	-	-	-	**(2.5)**
Share-based payments expense	1.3	-	-	-	-	**1.3**
At 31 March 2023 (unaudited)	**4.8**	**(8.5)**	**624.4**	**0.4**	**28.2**	**649.3**

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	**6 months ended 31 March 2023 (Unaudited) £m**	(Restated) 6 months ended 31 March 2022 (Unaudited) £m
Cash flows from operating activities			
Profit before tax		**28.7**	32.9
Adjustments for:			
Depreciation of property, plant and equipment		**4.6**	3.2
Amortisation of right-of-use asset		**4.7**	5.3
Amortisation of intangible assets		**27.7**	24.4
Share-based payment expense		**1.3**	1.8
Finance income		**(0.4)**	-
Finance expense		**2.3**	1.3
Unrealised foreign exchange gain		**(0.1)**	(0.1)
Fair value movement on derivatives		**(5.4)**	0.8
Operating cash flow before movements in working capital		**63.4**	69.6
Decrease in trade and other receivables		**14.2**	3.5
(Decrease) in trade and other payables		**(6.2)**	(1.7)
Cash generated from operating activities		**71.4**	71.4
Income tax paid		**(11.2)**	(11.3)
Net cash inflow from operating activities		**60.2**	60.1
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(4.2)**	(13.9)
Purchases of property, plant and equipment		**(2.1)**	(2.1)
Purchases of intangible assets		**(20.5)**	(10.9)
Net cash outflow from investing activities		**(26.8)**	(26.9)
Cash flows from financing activities			
Repayment of borrowings		**(8.3)**	(5.9)
Net interest paid		**(1.7)**	(0.6)
Lease liability payments		**(6.0)**	(6.2)
Proceeds from the issue of share capital, net of share issue costs		**0.1**	0.1
Dividends paid	6	**(37.0)**	(33.1)
Net cash outflow from financing activities		**(52.9)**	(45.7)
Net decrease in cash and cash equivalents		**(19.5)**	(12.5)
Cash and cash equivalents at beginning of the period		**101.2**	92.5
Exchange (losses)/ gains on cash and cash equivalents		**(5.4)**	0.6
Cash and cash equivalents at end of the period	8	**76.3**	80.6

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation

General information

RWS Holdings plc, together with its subsidiaries, provides translations services worldwide.

RWS Holdings plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England and Wales and its shares are quoted on the AIM Market.

This condensed consolidated interim financial report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of RWS Holdings plc in respect of the year ended 30 September 2022 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain any statement under Section 498 of the Companies Act 2006

The condensed consolidated interim financial report for the six months ended 31 March 2023 were approved by the Directors on 7 June 2023.

Basis of preparation

The condensed consolidated interim financial report is for the six months ended 31 March 2023. It is unaudited and prepared in accordance with the AIM rules for Companies and with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2022. which have been prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006

HY22 balances have been restated following completion of the Fonto purchase price allocation from the prior period. This has resulted in a recharacterisation of £4m from purchase consideration to contingent consideration in accordance with IFRS 3 and a corresponding reduction in goodwill. This amount is being accrued to the profit and loss on a straight line basis in accordance with IAS 19.

Accounting policies
The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those of the Group's annual financial statements for the year ended 30 September 2022.

New accounting standards and interpretations

The following accounting standards updates were effective for the first time during this accounting period:
Amendments to IAS 37 - 'Onerous Contracts — Cost of Fulfilling a Contract';
Amendments to IAS 16 - 'Property, Plant and Equipment — Proceeds before Intended Use'; and
Amendments to IFRS 3 - 'Reference to the Conceptual Framework'.

These standards and amendments do not have a material impact on the financial statements.

New standards and interpretations not yet adopted

At the date of the interim report, the following standards and interpretations which have not been applied in this report were in issue but not yet effective (and in some cases had not yet been adopted by the UK):

IFRS 17 – Insurance Contracts
Amendment to IAS 8 – 'Definition of Accounting Estimates';
Amendments to IAS 1 and IFRS Practice Statement 2 - 'Disclosure of Accounting Policies';

Amendments to IAS 12 - 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';
Amendments to IFRS16 'Lease Liability in a Sale and Leaseback';
Amendments to IAS 1 - 'Classification of Liabilities as Current or Non-Current';
Amendments to IFRS 10 and IAS 28 – Sale or Contribution between an Investor and its Associate or Joint Venture'

The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements.

Going concern

At 31 March 2023, the Group's balance sheet reflects a net asset position of £1,062.7m and the liquidity of the Group remains strong with £76.3m of cash reserves. On 3 August 2022, the Group entered into an Amendment and Restatement Agreement ("ARA") with its banking syndicate which amended its existing US$120m RCF maturing on 10 February 2024, to a US$220m RCF Facility maturing on 3 August 2026, with an option to extend maturity to 3 August 2027. At the period end, US$194m of this RCF is undrawn.

At 31 March 2023, the Group is in a net cash position excluding lease liabilities of £57.8m (see note 9), and the Group's two debt covenants under its RCF, being the ratio of Net Debt to trailing 12- month Adjusted EBITDA (as defined in the RCF agreement) and trailing 12-month EBITDA to Finance Charges (as defined in the RCF agreement) are both well within the covenant limits permitted by the Group's RCF.

On the basis set out above, the Directors consider it appropriate to conclude that the Group has adequate resources to continue as a going concern for the foreseeable future and for a period of at least 12 months from the date of authorising these interim financial statements. Therefore, the Group continues to adopt the going concern basis for preparing its interim financial statements.

Principal risks and uncertainties

The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve strategic goals, its financial condition and the results of its operations. The Group's risk management framework is explained on page 44 of our FY 2022 Annual Report and Financial Statements which is available on our website at www.rws.com. The Board assumes overall accountability for the management of risk whilst the Audit Committee continues to monitor and review the effectiveness of the Group's risk management and internal control systems. The identified principal risks are considered unchanged from those outlined on pages 45 to 46 of our 2022 Annual Report and Financial Statements. These are customer and economic trends, talent retention and development, IT and information security, sustainability and environment, business transformation, supply chain and logistics, legal and regulatory compliance and financial controls.

Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual future outcomes may differ from these estimates and give rise to material adjustments to the reported results and financial position of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future periods affected. The Group's significant estimates and judgements are described in note 2 of the Group's 2022 Annual Report and Financial Statements and summarised below:

Areas of estimation and uncertainty:

- Value in use estimation for the Group's Cash Generating Units ("CGUs")
- Interpretation of applicable tax legislation and the recoverability of the Group's resulting deferred tax assets.
- Estimates of cost to complete for the rendering of services delivered on an 'over time' basis and by extension the associated accrued income.

Significant areas of judgement:

- The allocation of transaction price to the identified performance obligations within the Group's contracts containing multi-element arrangements (note 2).

- The eligibility of the Group’s Research & Development expenditure for capitalisation under IAS38 - ‘Intangible Assets’.

2 Revenue from contracts with customers and segment information

The Group generates revenue from contracts with its customers for the provision of translation and localisation, intellectual property support solutions, life sciences language services and language and content technology. Revenue from providing these services during the year is recognised either at a point in time and over time as shown in the table below.

Timing of revenue recognition for contracts with customers

	6 months ended 31 March 2023 (Unaudited)	6 months ended 31 March 2022 (Unaudited)
	£m	£m
At a point in time	23.2	22.8
Over time	343.1	334.5
Total revenue from contracts with customers	366.3	357.3

Segmental reporting

The chief operating decision maker for the Group is identified as the Board of Directors collectively. The Board reviews the Group's internal reporting in order to assess performance and allocates resources. The Board divides the Group into four reportable segments and assesses the performance of the segments based on revenue and adjusted profit before tax. These are measured on a basis consistent with the Condensed Consolidated Statement of Comprehensive Income. The four reporting segments, which match the operating segments, are explained in more detail below:

- Language Services: provides localisation services including data training, eLearning, video localisation and interpreting services to a wide variety of industry verticals.
- Regulated Industries: provides a full suite of language services, including highly specialised technical translations and linguistic validation, exclusively for the life sciences, legal and financial services industries.
- Language & Content Technology ("L&CT"): provides a range of technology products which deliver translation and content management solutions for enterprises, small and medium-sized organisations and individuals.
- IP Services: provides patent translations, patent filing and a wide range of intellectual property ("IP") search, retrieval and monitoring services, delivering highly specialised technical translations to patent applicants and their representatives.

Segment results for the 6 months ended 31 March 2023 (Unaudited)	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	Unallocated £m	Group £m
Revenue	**160.9**	**84.9**	**67.6**	**52.9**	**-**	**366.3**
Operating profit/ (loss) before charging:	13.0	11.7	15.5	13.1	3.0	56.3
Amortisation of acquired intangibles	(7.3)	(6.3)	(5.7)	-	-	(19.3)
Exceptional items - acquisition-relatec costs	-	-	-	-	(1.6)	(1.6)

Share-based payments expenses	-	-	-	-	(1.3)	(1.3)
Exceptional items - other	-	-	-	-	(3.5)	(3.5)
Operating profit/(loss)	**5.7**	**5.4**	**9.8**	**13.1**	**(3.4)**	**30.6**
Finance expense						(1.9)
Profit before taxation						**28.7**
Taxation						(7.8)
Profit for the period						**20.9**

Segment results for the 6 months ended 31 March 2022 (Unaudited)	Language Services £m	Regulated Industries £m	L&CT £m	IP Services £m	Unallocated £m	Group £m
Revenue	**158.7**	**85.6**	**59.8**	**53.2**	**-**	**357.3**
Operating profit/(loss) before charging:	19.6	16.8	16.2	13.4	(4.0)	62.0
Amortisation of acquired intangibles	(6.7)	(6.2)	(3.9)	-	-	(16.8)
Exceptional items - acquisition-relatec costs	-	-	-	-	(0.4)	(0.4)
Share-based payments expenses	-	-	-	-	(1.8)	(1.8)
Exceptional items - other	-	-	-	-	(8.8)	(8.8)
Operating profit/(loss)	**12.9**	**10.6**	**12.3**	**13.4**	**(15.0)**	**34.2**
Finance expense						(1.3)
Profit before taxation						**32.9**
Taxation						(9.3)
Profit for the period						**23.6**

Capitalised contract costs, contract asset and contract liabilities

The Group holds material asset balances in respect of contract costs capitalised as they meet the criteria under IFRS 15 as incremental costs to obtain a contract. These primarily relate to the commissions paid on the acquisition of new contracts, the value of these balances at the balance sheet date was £2.0m (HY22: £2.3m).

Contract assets and liabilities are recognised at the point in which the Group's right to consideration is unconditional. The Group uses the term 'Trade Receivables' for these financial asset balances. Contract assets are recognised where performance obligations are satisfied over time until the point of final invoicing when these are classified as 'Trade Receivables'. The Group recognises revenue for partially satisfied performance obligations as 'Accrued Income', below is a summary of contract balances held by the Group:

	31 March 2023 (Unaudited) £m	31 March 2022 (Unaudited) £m
Trade receivables (included in trade and other receivables)	**126.4**	124.9
Accrued income (included in trade and other receivables)	**46.4**	40.7
Total contract assets	**172.8**	165.6
Deferred income (included in trade and other payables)	**51.6**	53.1
Total contract liabilities	**51.6**	53.1

3 Net finance expense

	6 months ended 31 March 2023 (Unaudited) £m	6 months ended 31 March 2022 (Unaudited) £m

Net finance expense

- Net bank interest payable	**1.0**	0.4
- Interest payable on lease obligations	**0.7**	0.7
- Amortised borrowing costs	**0.2**	0.2
Net finance expense	**1.9**	1.3

4 Exceptional items

Exceptional items are items of financial significance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

	6 months ended 31 March 2023 (Unaudited) £m	6 months ended 31 March 2022 (Unaudited) £m
Other exceptional items	**3.5**	8.8
Acquisition-related costs	**1.6**	0.4
Total exceptional items	**5.1**	9.2

Other exceptional items

A description of the principal items included is provided below:

Integration costs - £2.3m was incurred in respect of IT integration projects to enhance service delivery capability and reduce business complexity across the newly enlarged Group. A further £0.4m was incurred related to delivering synergies from business integration and ongoing simplification of the Group's corporate structure.

Transformation costs – £0.2m was incurred during the period in respect of transformation programmes for Finance and Human Resources initiated as part of a strategic review of the business to drive improved efficiencies in future periods. The Group expects to incur and pay further material costs over the next 18 months related to the transformation totalling £15m and the ongoing benefits from the integration will be recognised in the operating profit in the statement of comprehensive income.

Severance costs - £0.6m was incurred in respect of severance and termination payments related to the businesses defined integration plan for the OneRWS initiative.

Finance costs - £0.2m was incurred related to amortisation expense associated with a gain on debt modification recognised in previous accounting periods.

All the costs noted above were incurred and paid during the period. In addition, the Group is taking action to reduce costs which is expected to have a positive impact in FY23 of £10m and in the region of £[25]m for FY24. The Group expects to incur approximately £12m of exceptional cost during the second half of FY23 to achieve these benefits.

In HY22, other exceptional costs included costs of £8.8m related to restructuring and integration costs incurred following the acquisition of SDL plc.

Acquisition-related costs

Acquisition-related costs of £1.6m (HY22: £0.4m) include £1.1m of contingent consideration associated with the acquisition of Fonto being recognised in accordance with IFRS 3, £0.2m related to settlement of final obligations in respect of the Iconic acquisition and £0.4m in respect of on-going strategic projects. These have been accounted for as exceptional items in line with the Group's accounting policy and treatment of similar costs during the year ended 30 September 2022.

In the prior period, acquisition-related costs of £0.4m related primarily to transaction fees associated with the acquisition of Liones Holding BV ("Fonto").

5 Taxation

	6 months ended 31 March 2023 (Unaudited) £m	(Restated) 6 months ended 31 March 2022 (Unaudited) £m
Total current taxation	**9.1**	**9.3**
Deferred taxation	**(1.3)**	**-**
Tax expense	**7.8**	**9.3**

Effective tax rate

The effective tax rate on reported profit before tax was 27.2% (HY22: 28.3%). The Group's effective tax rate for the period is higher than the UK's statutory tax rate mainly due to the impact of overseas tax rates as well as non-tax deductibility of acquisition related exceptional costs.

The adjusted tax charge was £13.3m (HY22: £14.4m) giving an adjusted effective tax rate of 24.4% (HY22: 23.7%) on adjusted profit before tax of £54.4m (HY22: £60.7m) Adjusted profit before tax is an adjusted measure which, is reconciled as part of the Alternative Performance Measures section at the end of this report.

The adjusted tax charge is the total tax charge as disclosed in the Condensed Consolidated Income Statement less the tax effects of exceptional items and amortisation of acquired intangibles. The effective income tax rate represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2023 adjusted for discrete items as required.

The Group's adjusted effective tax rate going forward is expected to be in the region of 25%, similar to the effective UK rate. There are some countries in which the tax rate is lower than the UK, but the impact is largely offset by the tax rates in countries that are higher than the UK.

Uncertain tax provisions

The Group holds uncertain tax provisions in relation to historic transfer pricing arrangements between the UK, Ireland, the US as well as other tax risks across the Group. These provisions total £6.2m at 31 March 2023 (HY22: £6.4m).

6 Dividends

An interim dividend of 2.40p (HY22: 2.25p) per ordinary share will be paid on 21 July 2023 to shareholders on the register at 23 June 2023. The ex-dividend date is 22 June 2023.

This dividend, declared by the Directors after the balance sheet date, has not been recognised in these financial statements as a liability at 31 March 2023. The interim dividend will reduce shareholders' funds by an estimated £9.3m (HY22: £8.8m).

Dividends paid in the period were £37.0m (HY22: £33.1m).

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the effects of share options and awards granted to employees. These are included in the calculation when their effects are dilutive.

Adjusted earnings per share is a trend measure, which presents the long-term profitability of the Group excluding the impact of specific transactions that management considers affects the Group's short-term profitability. The Group presents this measure to assist investors in their understanding of trends. Adjusted profit after tax is the numerator used for this measure. The Group has identified the following items to be excluded when arriving at adjusted profit after tax: exceptional items, share-based payment expenses and amortisation of acquired intangibles.

	6 months ended 31 March 2023	(Restated) 6 months ended 31 March 2022
Earnings per ordinary share – basic (p)	**5.4**	6.1
Earnings per ordinary share – diluted (p)	**5.4**	6.0
Adjusted earnings per ordinary share – basic (p)	**10.6**	11.9
Adjusted earnings per ordinary share – diluted (p)	**10.6**	11.9

	6 months ended 31 March 2023 Earnings £m	(Restated) 6 months ended 31 March 2022 Earnings £m
Profit for the period	**20.9**	23.6
Adjustments:		
Amortisation of acquired intangibles	**19.3**	16.8
Share-based payment expenses	**1.3**	1.8
Exceptional items	**5.1**	9.2
Tax effect of adjustments	**(5.6)**	(5.1)
Tax adjustment in respect of prior years	**0.1**	-
Adjusted profit attributable to equity holders of the parent	**41.1**	46.3

	6 months ended 31 March 2023	6 months ended 31 March 2022
Weighted average number of ordinary shares in issue for basic earnings	**389,438,555**	389,476,257
Dilutive impact of share options	**30,688**	1,006,302
Weighted average number of ordinary shares for diluted earnings	**389,469,243**	390,482,559

8 Cash and cash equivalents

	31 March 2023 (Unaudited) £m	31 March 2022 (Unaudited) £m	30 September 2022 (Audited) £m
Cash at bank and in hand	**68.2**	76.2	94.8
Short-term deposits	**8.1**	4.4	6.4
Cash and cash equivalents in the cash flow statement	**76.3**	80.6	101.2

Short-term deposits include deposits with a maturity of three months or less, or deposits that can be readily converted into cash. The fair value of these assets supports their carrying value.

9 Loans

	1 October 2022 £m	Effects of cash flows £m	Non-cash movements £m	**31 March 2023 (Unaudited) £m**
Cash & cash equivalents	101.2	(19.5)	(5.4)	**76.3**
Issue costs	2.9	-	(0.4)	**2.5**
Loans (current and non-current)	(32.2)	8.3	2.9	**(21.0)**
Net cash (excluding lease liabilities)	**71.9**	**(11.2)**	**(2.9)**	**57.8**
Lease liabilities	(46.7)	6.0	2.2	**(38.5)**
Net cash (including lease liabilities)	**25.2**	**(5.2)**	**(0.7)**	**19.3**

At 31 March 2023, the Group is in a net cash position, excluding lease liabilities, of £57.8m and the Group's two debt covenants under its RCF being the net leverage ratio and interest coverage ratio are both are well within the covenant limits permitted by the Group's RCF.

10 Share-based compensation grants

On 24 January 2023, 2,476,243 Long Term Incentive Plan ('LTIP') shares were awarded to certain key senior executives and employees of the Group.

The LTIPs comprise conditional awards of shares, with performance conditions measured in 2025 by reference to performance in the period to 30 September 2025, based on earnings per share ('EPS') and total shareholder return ('TSR') targets.

On 16 January 2023, 287,292 share options were granted under the Group's SAYE scheme, which in normal circumstances will not be exercisable until the completion of a three-year savings period ending on 1 April 2026 and will be exercisable for a period of six months thereafter.

11 Related party transactions

During the first half, in the normal course of business, the Group provided translation services worth £292k (HY22: £309k) to subsidiaries of Learning Technologies Group plc (LTG), a company in which Andrew Brode, the Group's Chairman, has a significant interest. £164k (HY22: £82k) was due from LTG at the reporting date.

12 Acquisitions

Liones Holding BV ("Fonto") (Prior Period Acquisition)

On 22 March 2022, the Group acquired the entire issued share capital of Liones Holding BV ('Fonto') and its subsidiaries for an initial consideration of Euro 17.7m (£14.7m) on a cash and debt free basis, with additional contingent consideration of Euro 5m payable in two equal installments on the first and second anniversary of the transaction. Fonto is a structured content management business which complements our Tridion proposition and further builds our Content Technology portfolio.

The fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:	**Fair values £m**
Net assets acquired:	
Intangible assets	**8.9**
Property, plant and equipment	**0.1**
Right-of-use assets	**0.2**
Trade and other receivables	**0.9**
Cash and cash equivalents	**0.6**
Trade and other payables	**(1.1)**
Corporation tax	**(0.3)**
Deferred tax	**(2.2)**
Lease liabilities	**(0.2)**
Total identifiable net assets	**6.9**
Goodwill	**7.8**
Total consideration	**14.7**
Satisfied by:	
Cash	**14.7**

The provisional fair values of assets and liabilities were recognised effective 22 March 2022 with the purchase price allocation work concluded in August 2022. This resulted in an allocation of £6.4m to customer relationships, £2.1m to technology assets and £0.4m to brands, with a corresponding reduction in goodwill. Additional deferred tax liabilities of £2.2m were recognised on the identified intangible assets. The fair values of Trade and other receivables and other classes of assets and their gross contractual amount are the same.

Fonto contributed £3.7m to Group Revenue and £1.9m to profit after tax in HY23 (HY22 Revenue: £Nil and Profit after tax: £Nil). In the year to 30 September 2022, Fonto contributed £1.1m to Group revenue and £0.1m to profit after tax for the period between date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, Fonto would have contributed additional revenues of £3.4m and increased profit after tax by £1.1m during the year to 30 September 2022.

The goodwill of £7.8m on acquisition comprises the value of expected synergies to be realized across future periods. These derive primarily from cross sales of RWS products integration of services work with the RWS professional service teams and up-sell of Tridion as a content management service. Integration of Fonto into the RWS Group has continued successfully during HY23.

13 Financial risk management and financial instruments

The Group's operations expose it to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's treasury policy addresses issues of liquidity, funding and investment as well as currency, credit, liquidity and interest rate risks. The condensed consolidated interim financial statements do not include all the financial risk management information and disclosures required in the annual financial statements. This information and related disclosures are presented in the Group's annual financial statements at 30 September 2022. There have been no significant changes to risk management policies or processes since the year end.

The Group holds a number of financial instruments that are held at fair value within the condensed consolidated interim financial statements. In deriving the fair value the derivative financial instruments are classified as level 1, level 2, or level 3 dependent on the valuation method applied in determining their fair value.

The different levels are defined as follows:

Level	
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
3	Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

The financial instruments held at fair value by the Group relate to foreign currency forward contracts used as derivatives for hedging. For both the six months ended 31 March 2023 and 31 March 2022, the assets and liabilities arising from foreign currency forward contracts have been classified as level 2. The fair value of these instruments at each of the period ends was:

	31 March 2023 (Unaudited) £m	31 March 2022 (Unaudited) £m	30 September 2022 (Audited) £m
Assets			
Forward foreign currency exchange contracts	**8.0**	-	-
Liabilities			
Forward foreign currency exchange contracts	**-**	1.6	0.6

There have been no transfers between level 1 and 2 in any period and there are no level 3 items. The fair value of other financial assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables and borrowings approximate to their carrying amount.

14 Post Balance Sheet events

There have not been any significant events that have occurred between the balance sheet date and the date of authorising these financial statements which require disclosure or adjustment within these financial statements.

Appendix

Alternative performance measures

The Board uses a number of alternative performance measures, which can be directly reconciled to GAAP measures. The Board primarily uses these 'adjusted' measures as they exclude the impact of non-recurring transactions which are not part of the normal course of business. Adjusted measures therefore are calculated by removing the impact of exceptional items, share-based payment expenses and amortisation of acquired intangibles together, where relevant, with their associated tax effects.

Adjusted measures used by the Board include:

- **Adjusted profit before tax**: Profit before tax before exceptional items, share-based payment expenses and amortisation of acquired intangibles (reconciled on the face of the income statement).
- **Adjusted profit after tax**: profit after tax before exceptional items, share-based payment expenses and amortisation of acquired intangibles (reconciled in note 7 as the numerator for adjusted EPS and adjusted diluted EPS).
- **Cash conversion: free cash flow before exceptional cashflows, divided by adjusted net income.**
- **Free cash flow, before exceptional cash flows**: net cash inflow from operating activities before exceptional cash flows, less purchase of fixed assets, net interest paid and lease liability payments (reconciled below).
- **Adjusted effective tax rate:** effective tax rate before exceptional items, amortisation of acquired intangibles, tax on exceptional items and prior year adjustments (reconciled below).
- **Adjusted earnings per share**: earnings per share before exceptional items net of tax, share-based payment expenses, amortisation of acquired intangibles net of tax and exceptional tax amounts (reconciled in note 7).
- **Constant currency:** Prior period underlying measures, including revenue are retranslated at the current period exchange rates to neutralise the effect of currency fluctuations.

Adjusted profit before tax reconciliation	**HY23 £m**	**HY22 £m**
Statutory profit before tax	**28.7**	32.9
Exceptional items – other	**3.5**	8.8
Exceptional items – acquisition-related costs	**1.6**	0.4
Share-based payments expense	**1.3**	1.8
Amortisation of acquired intangibles	**19.3**	16.8
Adjusted profit before tax	**54.4**	60.7

Free Cash Flow reconciliation	**HY23 £m**	**HY22 £m**
Net cash inflow from operating activities	**60.2**	60.1
Exceptional cash flows	**4.9**	7.8
Purchases of property, plant and equipment and intangible assets	**(22.6)**	(13.0)
Net interest paid	**(1.7)**	(0.6)
Lease liability payments	**(6.0)**	(6.2)
Free cash flow	**34.8**	48.1

Operating cash conversion reconciliation	HY23 £m	HY22 £m
Adjusted net income	**41.1**	46.3
Free cash flow	**34.8**	48.1
Operating cash conversion	**85%**	104%

Adjusted effective tax rate	HY23 £m	HY22 £m
Tax charge	**7.8**	9.3
Tax on amortisation of acquired intangibles	**4.4**	3.6
Tax on exceptional items	**1.2**	1.5
Prior Year Adjustments	**(0.1)**	-
Adjusted tax charge	**13.3**	14.4
Adjusted profit before tax	**54.4**	60.7
Adjusted effective tax rate	**24.4%**	23.7 %

KPIs

KPIs are those key performance indicators used by management and the Board to monitor the success of the Group. These differ from the Group's alternative performance measures as they are measures that cannot necessarily be calculated from GAAP measures.

The KPIs, reviewed by the Board include revenue growth, gross margin and free cash flow. Free cash flow is defined as cash generated from operations after interest and tax costs, maintenance capital expenditure and capitalised research and development costs. Maintenance capital expenditure is the recurring level of capital expenditure required for the business in its current form to operate in medium term and excludes non-recurring investment in capitalised system and infrastructure costs.

Net cash comprises cash and cash equivalents and external borrowings. Net cash excludes lease liabilities but is reconciled to a measure including lease liabilities in note 9.