

RWS Holdings plc

Half Year Report for the Six Months to 31 March 2019

An excellent first half with double-digit organic profit growth

RWS Holdings plc ("RWS", "the Group"), one of the world's leading language, intellectual property support services and localization providers, today announces its half year results for the six months ended 31 March 2019.

Financial highlights

	H1 2019	H1 2018	Change
Revenue	£172.3m	£139.6m	+23%
Adjusted profit before tax ¹	£35.6m	£28.6m	+24%
Reported profit before tax	£27.6m	£18.3m	+51%
Adjusted earnings per share	10.1p	8.2p	+23%
Basic earnings per share	7.8p	4.7p	+66%
Interim dividend	1.75p	1.5p	+17%
Net debt	£63.9m	£82.8m	-23%

- Strong underlying organic growth with revenue up 10% and adjusted profit before tax up 18% on a constant currency basis, excluding impact of acquisitions.

Operating highlights

- Margin more than doubled at RWS Moravia reflecting:
 - revenues up 10%² driven by growing demand for higher value localization services from several of RWS Moravia's top technology clients
 - favourable exchange rates
 - full year benefit of previous year's organizational review at RWS Moravia resulting in improved operational efficiency and tighter overhead control
- Strong overall revenue growth for RWS IP Services (+13%²), including APAC region, an area of key focus for the business
- RWS Life Sciences had a good first half (+6%²) with excellent revenue growth (+26%²) from its specialist, high value linguistic validation offering
- Acquisition of Alpha Translations Canada Inc., strengthening our existing specialist legal and financial translation services
- Strong cash generation of £27.4m (H1 2018: £24.3m) supported a substantial reduction in net debt, the US\$6.0m acquisition of Alpha Translations Canada Inc. and a 17% growth in interim dividend

¹ RWS uses adjusted results as key performance indicators as the Directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non-cash items. Adjusted profit before tax is stated before amortization of acquired intangibles and acquisition costs.

² Indicates on a like-for-like basis, excluding impact of foreign exchange.

Current trading and outlook

- Trading performance since the period end has been in line with market expectations, which were upgraded at the time of our trading update on 18 April 2019
- We expect to maintain the momentum of H1 through the second half, driven by:
 - strong sales pipeline including several promising cross-sell opportunities and prominent new clients for RWS IP Services
 - maintained year-on-year margin improvement at RWS Moravia

Andrew Brode, Chairman of RWS, commented:

“RWS has delivered a strong first half with record revenues and profits, driven by our three largest divisions. We are particularly pleased with the improved performance at RWS Moravia, which has achieved both healthy top-line growth and strong margins through focused operational management.

“Following a strong first half and encouraging performances at the start of H2, we are confident of achieving another record year.

“As the leading global supplier of intellectual property support services, a major force in life sciences and a global leader in localization, the Group is well positioned to deliver international expansion and profitable growth both organically and through selective acquisitions.”

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About RWS

RWS is the world's leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), a market leader in life sciences translations and linguistic validation, a leading localization provider, and a high-level specialist language service provider in other technical areas,



providing for the diverse needs of a blue-chip multinational client base spanning Europe, North America and Asia.

RWS is based in the UK, with offices across five continents. The company is 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, the Company undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

RWS Holdings plc

Results for the Six Months to 31 March 2019

Chairman's Statement

I am pleased to report that RWS has delivered an excellent performance across the Group with growth in sales, profits and dividends. We have consolidated a market-leading player in localization services, Moravia, which, with our premier positions in intellectual property (IP) support and life sciences language services, has seen us become one of the world's leading language service providers.

Business overview

RWS is one of the world's premier language service providers, focusing on key market segments where the quality of its services is of critical importance to its clients. The Group has a blue-chip multinational client base spanning Europe, North America and Asia that is particularly active in the technology, pharmaceutical, medical, chemical, automotive and telecoms industries.

Following the integration of RWS Patent Translation & Filing and RWS Patent Information on 1 October 2018, the Group is now operating four divisions:

- **RWS IP Services** is the world's premier supplier of patent translations, filing solutions and IP search, retrieval and monitoring services. The division includes PatBase, the world's largest patent research database, AOP Connect™, with its crowd of 42,000+ researchers, and international web-based patent filing platform, inovia. Uniquely, this division employs over 130 full-time, highly qualified translators and over 20 full-time patent information searchers.
- **RWS Life Sciences** focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organizations in North America and Europe. This division includes both the CTi and LUZ businesses, which were fully integrated as one business with effect from 1 October 2017, and the former life sciences activities of Moravia.
- **RWS Moravia** is a leading provider of technology-enabled localization services, enjoying long-term relationships with some of the largest publicly traded technology companies in the world. It addresses its clients' large, complex and time-critical localization requirements, including adapting content, software, websites and applications across more than 160 languages.
- **RWS Language Solutions** manages the Group's non-patent and non-life science translations, with a particular emphasis on technical translations. On 17 January 2019, RWS announced the acquisition of Alpha Translations Canada Inc, strengthening its existing specialist legal and financial translation services.

Our strategy

Our strategy is to grow the Group's organic revenue and net profit by providing an increasing range of complementary services to existing and new clients. This is supplemented by selective acquisitions, providing these are complementary to our existing business and enhance shareholder value.

Organic growth is driven by:

- the growing demand for language services driven by globalization and international trade
- an increase in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs by the pharmaceutical industry
- the trend towards digitization and ever greater use of technology
- the outsourcing by corporates, clinical research organizations, law firms and attorneys of all or part of their foreign patent search, filing, translation, localization and linguistic validation processes
- the Group's ability to attract new clients by virtue of its leading position and reputation in an otherwise fragmented sector
- leveraging the Group's excellent relationships with clients to promote and expand the sale of additional Group services

Whilst the primary near-term focus is on organic growth, cross-selling and driving synergies across the Group, we continue to review selective potential acquisitions in the intellectual property support services and specialist translation spaces that would further accelerate growth. We seek businesses capable of delivering above industry average levels of profitability, or highly complementary businesses capable of reinforcing the Group's dominant position in intellectual property support and language services.

We are pleased that our strategy has delivered 15 consecutive years of growth in sales, profits and dividends since flotation in 2003.

Results and financial review

The Group has achieved further substantial progress in its underlying operational performance, building upon the excellent results achieved in FY 2018. In particular, RWS Moravia delivered a significantly improved performance both in revenue and profitability, and RWS IP Services achieved substantial top-line growth whilst investing in additional staff and production processes.

Group sales advanced by 23% to £172.3m (H1 2018: £139.6m), which included 10% growth in underlying organic revenue (on a constant currency basis, excluding impact of acquisitions). Adjusted operating profit before finance income and expenditure, amortization of intangibles and acquisition costs increased by 24% to £37.9m (H1 2018: £30.5m).

Adjusted profit before tax, amortization of acquired intangibles and acquisition costs increased by 24% to £35.6m (H1 2018: £28.6m) or by 18% on a constant currency basis, excluding impact of acquisitions.

Adjusted earnings per share increased by 23% to 10.1p (H1 2018: 8.2p).

As at 31 March 2019, shareholders' funds amounted to £359.0m (H1 2018: £325.3m). At the same date, net debt amounted to £63.9m (H1 2018: £82.8m), comprising the term loans of £91.3m less cash of £27.4m.

During the six months ended 31 March 2019, the major cash outlays were the final dividend of £16.4m, income tax of £6.0m, debt and interest repayments of £14.5m and the US\$6.0m (£4.5m) acquisition of Alpha Translations Canada Inc. The Group continued its long and consistent record of strong underlying cash generation.

Taxation

Following the US tax reform legislation introduced in 2018, the reduction in the federal tax rate to circa 21% has lowered the Group's overall effective tax rate to circa 23% in 2019. This change has had a positive impact on earnings per share and cash generation.

Dividend

The Directors have approved an interim dividend of 1.75p per share, representing an increase of 17% over the 2018 interim dividend of 1.5p per share. This increase reflects both the Group's strong financial position and the Board's confidence in further progress. This dividend will be paid on 19 July 2019 to those shareholders on the register as at 28 June 2019, and the ex-dividend date is 27 June 2019. The Group remains committed to a progressive dividend policy, which has been followed in every year since flotation in November 2003.

Operating review

RWS IP Services (formerly RWS Patent Translation & Filing and RWS Patent Information)

On 1 October 2018, RWS Patent Translation & Filing and RWS Patent Information were merged to form one division, RWS IP Services. This reorganization was made to further focus the division on the quality of its intellectual property services and better align them to our clients' needs.

During the period, the division represented 36% of Group revenues, achieving revenues of £62.3m (H1 2018: £54.3m), an increase of 15%. The division did benefit from a currency tailwind, which if accounted for, reduced underlying revenue growth to 13%.

The division's revenue figures were bolstered by increased sales to several of its major clients, plus the full year effect of sales to clients won in the prior year. These gains were particularly noticeable in its European patent translation and filing business (Eurofile), which grew revenues by 23%. The division's other principal business, Worldfile, grew by 7%.

H1 FY 2019 has seen continuing growth in the division's operations in China and Japan, as demand for patent applications in Chinese and Japanese from European and North American corporates continues to grow. Pleasingly, direct sales to local companies also grew, achieving double-digit growth during the period.

Sales of PatBase, the Group's high margin, patent search subscription business showed a healthy 6% increase over the prior period.

Costs within the division were in line with expectation, but with many of the division's UK-based staff being European nationals, the Group continues to invest in its staff and their working environment, with the aim of improving staff retention prior to the UK's possible exit from the European Union.

The division's adjusted operating profit was up marginally to £17.4m (H1 2018: £17.2m), excluding impact of foreign exchange losses of £0.3m (H1 2018: £nil) or down slightly to £17.1m (H1 2018: £17.2m) including foreign exchange movements.

RWS Life Sciences

RWS Life Sciences, which represented 18% of Group revenues during the period, grew revenues by 21% to £31.8m (H1 2018: £26.2m). This includes revenue from life sciences clients that were transferred into the division from Moravia at the end of the previous financial year. In addition, this principally USD business benefited from a more favourable USD:GBP exchange rate in H1 FY19. Underlying sales, which adjusts for these two effects, was up by 6%.

The division delivered adjusted operating profit of £9.5m in the period (H1 2018: £8.0m).

The division performed well in the first half, against tough comparative figures, benefiting from good revenue growth with its main clients and the additional business from clients transferred from Moravia. In addition, the higher margin linguistic validation business made strong progress in the period and the division continues to invest in additional staff to capitalize on its market-leading position in this sector.

The division is continuing to invest in China and Japan, principally to support existing clients, but the first new local business win was achieved in the period which bodes well for the future development of this market.

On 13 May 2019, RWS appointed Jon Hart as the new Managing Director of RWS Life Sciences. Jon's proven track record of scaling businesses, sound financial management and reputation for building collaborative teams positions him perfectly to lead RWS Life Sciences and we are delighted to have him on board.

RWS Moravia

Moravia was acquired in November 2017 and therefore the H1 FY 2018 comparative results include only five months of trading. The company was fully assimilated into the Group and rebranded to RWS Moravia on 1 October 2018.

RWS Moravia's revenue in H1 FY 2019 represented 41% of Group revenues, with reported sales up 36% to £71.1m (H1 2018: £52.1m). However, this includes favourable exchange rates in FY 2019 compared to FY 2018 and the additional month of trading in FY 2019, partly offset by revenue in H1 FY 2018 from life sciences clients that have moved to RWS Life Sciences in H1 2019. If these are all taken into account, the underlying year-on-year revenue growth is 10%.

This good underlying sales growth was achieved despite the continuing reduction in volumes with one of the division's top five clients, excluding which sales across its top five clients increased by 10%. Sales to 'other' clients, including revenue from new business wins in FY 2018, increased by 36%.

The division recorded an excellent improvement in profitability, with adjusted operating profit margin rising to 19.3% (H1 FY 2018: 9.3%) following the simplification of its operating structure, a tighter focus on cost control and the delivery of higher margin services to larger clients. This results in the division reporting adjusted operating profit of £13.7m (H1 FY 2018: £4.7m).

The full assimilation of RWS Moravia into the Group has resulted in strong links between all four RWS divisions and increased opportunities for cross-selling and the sharing of best operating practices and technical know-how, all of which bodes well for the Group's future results.

RWS Language Solutions

In H1 FY 2019 the division represented 4% of Group revenues, with reported sales growing in the period by 1% to £7.1m (H1 2018: £7.0m) and adjusted operating profit of £0.1m (H1 2018: £0.6m).

This performance includes additional sales generated by the recently acquired Alpha Translations Canada Inc. (£0.5m).

As previously reported, the division operates in the most competitive area of the language services market. In the period, there were reduced sales to several key clients due to challenging market conditions, notably in the German automotive and renewable energy sectors.

From 1 October 2019, this division will be consolidated into the RWS Moravia division, which we expect to facilitate further cross-selling and sharing of resources between these two businesses and bring the efficiency benefits of RWS Moravia's process technology to RWS Language Solutions' client base.

In future, RWS will report on its three principle trading divisions: RWS IP Services, RWS Life Sciences and RWS Moravia.

Acquisition of Alpha Translations

The Group announced on 17 January 2019 that it had acquired Alpha Translations Canada Inc., a Canadian-based business that principally provides translation services to European law firms. The cash consideration was US\$6.0m, which was funded from internal cash resources.

The acquisition was in line with our stated strategy of complementing organic growth with selective acquisitions, offering growth potential in attractive and complementary sectors and/or geographies.

Currency and FX

The Group remains highly exposed to movements in the US dollar exchange rate reflecting the fact that over two thirds of revenues are denominated in US dollars. In the second half of FY 2018, the Group introduced additional steps to reduce the income statement volatility of this imbalance and financial results in the first half of FY 2019 reflect this. Hedging measures introduced include the novation of Group debt to divisional level, entering into US dollar forward contracts at Group level and initiating additional US dollar hedges at divisional level. The Group has also benefited from movements in the underlying Sterling Dollar exchange rate as the dollar has strengthened by 5.6% between periods. While volatility has been reduced, there remains a significant unhedged position in line with the Group's internal FX policy, which remains exposed to fluctuations in underlying market rates.

Market and regulatory update

Patent filing statistics

The World Intellectual Property Organization (WIPO) recently published figures showing a 3.9% increase in the 2018 PCT Filings to 253,000. Applicants from the United States remain the largest filers under the PCT system, but China continues to grow strongly and is expected to exceed the United States in the next two years, based on current trends. The European Patent Office (EPO) has also issued its 2018 report, which shows that the total number of European Patent applications increased by 4.6% to 174,317. The WIPO and EPO statistics are both at new record levels.

European Union Patent

We now anticipate that the proposed European Union Patent ("the Unitary Patent") will come into effect in Q2 2020 at the earliest. Whilst the UK has now ratified both the new Unified Patent Court (UPC) Agreement and the Unitary Patent, the ongoing Brexit negotiations continue to create uncertainty around its implementation date.

Implementation of the Unitary Patent requires the ratification of the agreement by the three most important (for patenting activities) countries - Germany, France and the UK. Both France and the UK have ratified the agreement but ratification in Germany is continuing to be delayed by a challenge before the German Constitutional Court. The case is expected to be heard later this year.

The proposed Unitary Patent will run in parallel with the current system, thus affording applicants a clear choice. We expect our clients to tailor their patenting strategies as they observe the Unitary Patent in action and decide which of the two systems they prefer.

People

RWS is a quintessential 'people' business. We are highly reliant upon the skills of all our staff. We would like to take this opportunity to thank them for all their hard work and commitment in delivering innovative, high-quality language services to our clients globally.

As at 31 March 2019, the Group's full-time equivalents were 2,468 (H1 2018: 2,374).

2019 share option schemes

RWS Share Option Plan 2019

On 13 May 2019, RWS announced the launch of the RWS Share Option Plan 2019 ("the Plan"). The Plan is open to Executive Directors and senior managers of RWS and is designed to align the interests of shareholders and senior staff as well as act as a tool to incentivize and retain senior staff. The scheme will run for 10 years and it is expected that options over RWS shares will be awarded annually in January of each year.

Each annual option award will be split into three equal tranches, spread over three years with each subject to an earnings per share (EPS) target, set annually in advance by RWS's Remuneration Committee.

Options will vest to the extent performance conditions are met and provided the staff member remains in Group employment on the third anniversary of the grant date. The options will then be subject to a two-year holding period, during which vested options will only be forfeited if the staff member leaves due to gross misconduct or 'malus' is applied by the Remuneration Committee.

Participants will be able to exercise vested options after the end of the holding period i.e. from the fifth anniversary of the grant date.

RWS 2019 Sharesave Scheme

On 19 February 2019, RWS announced the launch of its three-year Sharesave Scheme, which was open to all UK-based RWS employees. The response to the launch of the Scheme was most encouraging and participants will hopefully benefit from growth in the RWS share price. The 2019 Sharesave Scheme option price is £4.13.

Current trading and outlook

The Group's trading performance since the period end has been in line with market expectations, which were upgraded at the time of our trading update on 18 April 2019.

The Board expects to maintain the momentum established in H1 2019. The principal drivers will be a strong sales pipeline with several promising cross-sell opportunities and growing revenue from prominent new clients at RWS IP Services, together with maintained year-on-year margin improvement at RWS Moravia.

RWS Holdings plc: Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months ended 31 March 2019 £'000	Unaudited 6 months ended 31 March 2018 £'000	Audited Year ended 30 September 2018 £'000
Revenue	2	172,341	139,561	306,044
Cost of sales		(103,666)	(84,658)	(187,211)
Gross profit		68,675	54,903	118,833
Administrative expenses		(38,810)	(34,717)	(74,702)
Operating profit		29,865	20,186	44,131
Analysed as:				
Operating profit before charging:		37,919	30,525	66,310
Amortization of acquired intangibles		(7,553)	(3,668)	(14,591)
Acquisition costs		(501)	(6,671)	(7,588)
Operating profit		29,865	20,186	44,131
Finance income	3	40	36	69
Finance costs	3	(2,345)	(1,938)	(4,541)
Profit before tax		27,560	18,284	39,659
Taxation		(6,292)	(5,699)	(11,402)
Profit for the period	2	21,268	12,585	28,257
Other comprehensive income/(expense)*				
(Loss)/gain on retranslation of foreign operations		(705)	(13,822)	3,526
(Loss)/gain on cash flow hedges		(467)	-	408
Total other comprehensive (expense)/income		(1,172)	(13,822)	3,934
Total comprehensive income attributable to:				
Owners of the parent		20,096	(1,237)	32,191
Basic earnings per ordinary share (pence per share)	5	7.8	4.7	10.4
Diluted earnings per ordinary share (pence per share)	5	7.7	4.7	10.4

*Other comprehensive income includes only items that will be subsequently reclassified to profit before tax when specific conditions are met.

RWS Holdings plc: Condensed Consolidated Statement of Financial Position

	Note	Unaudited at 31 March 2019 £'000	Unaudited at 31 March 2018 £'000	Audited at 30 September 2018 £'000
Assets				
Non-current assets				
Goodwill		237,504	313,067	233,236
Intangible assets		165,386	48,810	172,517
Property, plant and equipment		21,350	22,662	21,961
Deferred tax assets		1,362	1,456	2,081
		425,602	385,995	429,795
Current assets				
Trade and other receivables		79,500	67,679	72,656
Foreign exchange derivatives		74	4,091	1,014
Cash and cash equivalents	6	27,413	24,312	38,155
		106,987	96,082	111,825
Total assets		532,589	482,077	541,620
Liabilities				
Current liabilities				
Loan		24,615	22,534	24,311
Trade and other payables		47,605	42,597	48,251
Foreign exchange derivatives		357	-	-
Income tax payable		4,661	5,324	4,074
Provisions		85	82	85
		77,323	70,537	76,721
Non-current liabilities				
Loans		66,656	84,558	78,958
Other payables		-	30	-
Provisions		673	346	645
Deferred tax liabilities		28,975	1,342	30,017
		96,304	86,276	109,620
Total liabilities		173,627	156,813	186,341
Total net assets		358,962	325,264	355,279
Equity				
Capital and reserves attributable to owners of the parent				
Share capital		2,735	2,732	2,735
Share premium		51,549	51,170	51,549
Share based payment reserve		384	526	384
Reverse acquisition reserve		(8,483)	(8,483)	(8,483)
Foreign currency reserve		8,236	(8,407)	8,941
Hedge reserve		(59)	-	408
Retained earnings		304,600	287,726	299,745
Total equity		358,962	325,264	355,279

RWS Holdings plc: Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium (restated) £'000	Other reserves (see below) £'000	Retained earnings (restated) £'000	Total attributable to owners of parent £'000
At 30 September 2017 (audited)	2,293	50,718	(2,542)	108,416	158,885
Profit for the period	-	-	-	12,585	12,585
Loss on retranslation of foreign operations	-	-	(13,822)	-	(13,822)
Other comprehensive income for the period at 31 March 2018	-	-	(13,822)	12,585	(1,237)
Issues of shares	439	452	-	184,565	185,456
Share issue costs	-	-	-	(3,631)	(3,631)
Dividends	-	-	-	(14,209)	(14,209)
At 31 March 2018 (unaudited)	2,732	51,170	(16,364)	287,726	325,264
Profit for the period	-	-	-	15,672	15,672
Gain on cash flow hedges	-	-	408	-	408
Gain on retranslation of foreign operations	-	-	17,348	-	17,348
Other comprehensive income for the period at 30 September 2018	-	-	17,756	15,672	33,428
Issue of shares	3	379	-	-	382
Deferred tax on unexercised share options	-	-	-	150	150
Income tax on unexercised share options	-	-	-	153	153
Dividends	-	-	-	(4,098)	(4,098)
Exercise of share options	-	-	(142)	142	-
At 30 September 2018 (audited)	2,735	51,549	1,250	299,745	355,279
Profit for the period	-	-	-	21,268	21,268
Loss on cash flow hedges	-	-	(467)	-	(467)
Loss on retranslation of foreign operations	-	-	(705)	-	(705)
Other comprehensive income for the period at 31 March 2019	-	-	(1,172)	21,268	20,096
Dividends	-	-	-	(16,413)	(16,413)
At 31 March 2019 (unaudited)	2,735	51,549	78	304,600	358,962

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Hedge reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
Other reserves					
At 30 September 2017 (audited)	526	(8,483)	-	5,415	(2,542)
Other comprehensive income for the period at 31 March 2018	-	-	-	(13,822)	(13,822)
At 31 March 2018 (unaudited)	526	(8,483)	-	(8,407)	(16,364)
Other comprehensive income for the period at 30 September 2018	-	-	408	17,348	17,756
Exercise of share options	(142)	-	-	-	(142)
At 30 September 2018 (audited)	384	(8,483)	408	8,941	1,250
Other comprehensive loss for the period at 31 March 2019	-	-	(467)	(705)	(1,172)
At 31 March 2019 (unaudited)	384	(8,483)	(59)	8,236	78

RWS Holdings plc: Condensed Consolidated Statement of Cash Flows

	Note	Unaudited 6 months ended 31 March 2019 £'000	Unaudited 6 months ended 31 March 2018 ¹ £'000	Audited Year ended 30 September 2018 ¹ £'000
Cash flows from operating activities				
Profit before tax		27,560	18,284	39,659
Adjustments for:				
Depreciation of property, plant and equipment		1,519	1,297	2,786
Amortization of intangible assets		8,774	4,497	16,617
Finance income		(40)	(36)	(69)
Finance expense		2,345	1,938	4,541
Net gain on foreign currency contracts		74	-	-
Operating cash flow before movements in working capital and provisions		40,232	25,980	63,534
Increase in trade and other receivables		(5,893)	(4,734)	(6,488)
Decrease in trade and other payables		(408)	(5,891)	(570)
Cash generated from operating activities		33,931	15,355	56,476
Income tax paid		(6,028)	(4,928)	(12,848)
Net cash inflow from operating activities		27,903	10,427	43,628
Cash flows from investing activities				
Interest received		30	36	69
Acquisition of subsidiary, net of cash acquired	7	(4,421)	(242,311)	(242,311)
Purchases of property, plant and equipment		(908)	(1,090)	(1,872)
Purchases of intangibles		(1,614)	(2,775)	(3,320)
Net cash outflow from investing activities		(6,913)	(246,140)	(247,434)
Cash flows from financing activities				
Proceeds from borrowing		-	118,687	118,591
Repayment of borrowing		(12,265)	(46,236)	(58,140)
Interest paid		(2,274)	(1,285)	(3,521)
Proceeds from the issue of share capital, net of share issue costs		-	181,825	182,207
Dividends paid		(16,413)	(14,209)	(18,307)
Net cash (outflow)/inflow from financing activities		(30,952)	238,782	220,830
Net (decrease)/increase in cash and cash equivalents		(9,962)	3,069	17,024
Cash and cash equivalents at beginning of the period		38,155	20,064	20,064
Exchange (losses)/gains on cash and cash equivalents		(780)	1,179	1,067
Cash and cash equivalents at end of the period	6	27,413	24,312	38,155
Free cash flow				
Analysis of free cash flow				
Net cash generated from operations		33,931	15,355	56,476
Net interest paid		(2,244)	(1,249)	(3,452)
Income tax paid		(6,028)	(4,928)	(12,848)
Purchases of property, plant and equipment		(908)	(1,090)	(1,872)
Purchases of intangibles		(1,614)	(2,775)	(3,320)
Free cash flow		23,137	5,313	34,984

¹ Interest paid has been reclassified from 'cash flows from investing activities' to 'cash flows from financing activities'.

Notes to the Condensed Consolidated Financial Statements

1. Accounting Policies

Basis of preparation

The interim financial statements were approved by the Board of Directors on 10 June 2019. The interim results for the half years ended 31 March 2019 and 31 March 2018 are neither audited nor reviewed by our auditors. The accounts in this interim report do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2018.

The Group's statutory accounts for the year ended 30 September 2018 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain any statements under s498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

With the exception of IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' which have both come into effect in this financial year, the same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements. The Board does not consider that either standard has had a material impact on the results for the period.

Restatement of comparatives

During the six months ended 31 March 2018 the Group completed a 'cash-box' equity raising for which an amount of £184,565k was recorded in share premium reserve on the condensed Consolidated Statement of Financial Position. The Group has restated its 31 March 2018 comparatives to now reflect this amount within retained earnings.

2. Segmental reporting

The Board divided the Group into four reportable segments. The Board assesses the performance of the segments based on revenue and profit/(loss) from operations. These are measured on a basis consistent with the Statement of Comprehensive Income. The four segments are:

- RWS IP Services: provides the highest quality patent translations, a seamless global patent filing experience and a wide range of cutting-edge intellectual property (IP) search services.
- RWS Life Sciences: provides a full suite of language services, including technical translations and linguistic validation, exclusively for the life sciences industry.
- RWS Moravia: provides localization services including the adaptation of content, software, websites, applications, marketing material and audio/video to ensure brand consistency.
- RWS Language Solutions: provides a full range of translation and interpreting services to help businesses communicate globally.

The unallocated segment relates to corporate overheads, assets and liabilities.

Segment results for the 6 months ended 31 March 2019	IP Services	Life Sciences	Moravia	Language Solutions	Unallocated	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	62,301	31,823	71,128	7,089	-	172,341
Operating profit/(loss) before charging:	17,120	9,468	13,693	108	(2,470)	37,919
Amortization of acquired intangibles	(332)	(2,988)	(4,207)	(26)	-	(7,553)
Acquisition costs	-	-	-	-	(501)	(501)
Operating profit/(loss)	16,788	6,480	9,486	82	(2,971)	29,865
Finance income						40
Finance expense						(2,345)
Profit before taxation						27,560
Taxation						(6,292)
Profit for the period						21,268
Segment assets	88,304	130,307	293,469	16,289	4,220	532,589
Segment liabilities	20,773	43,834	105,188	1,742	2,090	173,627
Net assets	67,531	86,473	188,281	14,547	2,130	358,962

Segment results for the 6 months ended 31 March 2018	IP Services	Life Sciences	Moravia	Language Solutions	Unallocated	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	54,281	26,158	52,143	6,979	-	139,561
Operating profit/(loss) before charging:	17,213	8,018	4,674	601	19	30,525
Amortization of acquired intangibles	(551)	(2,985)	-	(132)	-	(3,668)
Acquisition costs	-	-	-	-	(6,671)	(6,671)
Operating profit/(loss)	16,662	5,033	4,674	469	(6,652)	20,186
Finance income						36
Finance expense						(1,938)
Profit before taxation						18,284
Taxation						(5,699)
Profit for the period						12,585
Segment assets	82,188	124,798	258,400	13,137	3,554	482,077
Segment liabilities	18,222	44,257	88,700	2,041	3,593	156,813
Net assets/(liabilities)	63,966	80,541	169,700	11,096	(39)	325,264

Segment results for the year ended 30 September 2018	IP Services	Life Sciences	Moravia	Language Solutions	Unallocated	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	111,949	52,303	126,870	14,922	-	306,044
Operating profit/(loss) before charging:	34,404	14,548	16,980	1,566	(1,188)	66,310
Amortization of acquired intangibles	(1,119)	(5,898)	(7,415)	(159)	-	(14,591)
Acquisition costs	-	-	(966)	-	(6,622)	(7,588)
Operating profit/(loss)	33,285	8,650	8,599	1,407	(7,810)	44,131
Finance income						69
Finance expense						(4,541)
Profit before taxation						39,659
Taxation						(11,402)
Profit for the period						28,257
Segment assets	87,552	130,779	300,376	13,519	9,394	541,620
Segment liabilities	18,631	49,366	113,979	2,200	2,165	186,341
Net assets/(liabilities)	68,921	81,413	186,397	11,319	7,229	355,279

3. Finance income and costs

	6 months ended 31 March 2019 £'000	6 months ended 31 March 2018 £'000	Year ended 30 September 2018 £'000
Finance income			
- Returns on short-term deposits	40	36	69
Finance expense			
- Bank interest payable	(2,171)	(1,733)	(3,947)
- Amortized borrowing costs	(174)	(134)	(313)
- Movement in the fair value of foreign currency contracts	-	(71)	(281)
Net finance expense	(2,305)	(1,902)	(4,472)

From 1 October 2018, the movement on foreign currency contracts are considered as part of administrative expenses. In the period to 31 March 2019, this was a gain of £74k.

4. Dividends

	6 months ended 31 March 2019		6 months ended 31 March 2018		Year ended 30 September 2018	
	pence per share	£'000	pence per share	£'000	pence per share	£'000
Interim paid July	-	-	-	-	1.50	4,098
Final paid February	6.00	16,413	5.20	14,209	5.20	14,209
Dividends paid to shareholders	6.00	16,413	5.20	14,209	6.70	18,307

An interim dividend of 1.75 pence per ordinary share will be paid on 19 July 2019 to shareholders on the register at 28 June 2019. This dividend, declared by the Directors after the balance sheet date, has not been recognized in these financial statements as a liability at 31 March 2019. The interim dividend will reduce shareholders' funds by an estimated £4.8m.

5. Earnings per Ordinary share

In addition to disclosing basic and diluted earnings per share, the Group shows adjusted earnings per share as the Directors believe that this information will be of interest to the users of the accounts in measuring the Group's performance and underlying trends.

	6 months ended 31 March 2019		6 months ended 31 March 2018		Year ended 30 September 2018	
	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Profit for the period	21,268	7.8	12,585	4.7	28,257	10.4
Adjustments:						
Amortization of acquired intangibles	7,553	2.7	3,668	1.3	14,591	5.4
Acquisition costs	501	0.2	6,671	2.5	7,588	2.8
Tax effect of adjustments	(1,753)	(0.6)	(828)	(0.3)	(3,285)	(1.2)
Adjusted earnings	27,569	10.1	22,096	8.2	47,151	17.4
Diluted earnings	21,268	7.7	12,585	4.7	28,257	10.4
Adjusted diluted earnings	27,569	10.0	22,096	8.2	47,151	17.3

Basic earnings per share are based on the post-tax profit for the period and a weighted average number of ordinary shares in issue during the period.

	6 months ended 31 March 2019	6 months ended 31 March 2018	Year ended 30 September 2018
Weighted average number of Ordinary shares in issue for basic earnings	273,543,272	269,032,021	271,216,566
Dilutive impact of share options	1,310,712	1,489,455	1,265,706
Weighted average number of Ordinary shares for diluted earnings	274,853,984	270,521,476	272,482,272

6. Cash and cash equivalents

	at 31 March 2019 £'000	at 31 March 2018 £'000	at 30 September 2018 £'000
Cash at bank and in hand	27,413	20,902	35,799
Short-term deposits	-	3,410	2,356
Cash and cash equivalents in the cash flow statement	27,413	24,312	38,155

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.

7. Acquisition

On 17 January 2019, the Company acquired Alpha Translations Canada Inc. ("Alpha"), a leader in expert legal and financial translations, for a cash consideration of US\$6.0m. Based in Alberta, Canada, Alpha provides high-quality legal and financial translations to multinational law firms and corporations, with a client base principally located in Germany. Clients include many of the world's top 100 law firms. The acquisition is highly complementary to RWS's existing Language Solutions business and strengthens its specialist legal and financial translation offering.

The provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book and fair values £'000
Net assets acquired:	
Property, plant and equipment	34
Trade and other receivables	305
Cash and cash equivalents	66
Trade and other payables	(339)
	66
Goodwill	4,421
Total consideration	4,487
Satisfied by:	
Cash	4,487
Cash flow:	
Total consideration	4,487
Cash included in undertaking acquired	(66)
Net cash consideration in cash flow statement	4,421

The identification of intangible assets within the goodwill balance had not been ascertained at the publication date of this report, hence there has been no amortization of such assets as at 31 March 2019.

Alpha contributed £0.5m revenue and recorded a small loss to the Group's profit after tax for the year between the date of acquisition and the balance sheet date.

Acquisition costs of £158,000 relating to this acquisition have been charged through the Statement of Comprehensive Income.

8. Events since the reporting date

No significant events have occurred since 31 March 2019, as at the date of authorizing these interim financial statements.