



For immediate release

20 June 2017

## RWS Holdings plc

### Half year report for the six months to 31 March 2017

#### ***An outstanding six months, strengthening our leading position in Life Sciences***

RWS Holdings plc (“RWS”, “the Group”), the world’s leading provider of intellectual property support services (patent translations, international patent filing solutions and searches) and a leading provider of life sciences and commercial language services, today announces its half year results for the six months ended 31 March 2017.

#### **Financial Highlights:**

- Sales for the period of £76.6m (H1 2016: £56.9m), an increase of 35%
  - Includes £3.5m contribution from LUZ, Inc. (“LUZ”) from six weeks of trading
- Adjusted operating profit\* was up by 28.4% to £19.0m (H1 2016: £14.8m)
- Adjusted profit before tax\* was up by 39.6% to £19.4m (H1 2016: £13.9m) including:
  - £1.1m from six weeks of trading at LUZ
  - £1.3m benefit from favourable foreign exchange movements compared to same period in 2016
- Adjusted earnings per share\* were up by 40.8% to 6.9p (H1 2016: 4.9p)
- Interim dividend increased by 13% to 1.30p (2016: 1.15p)
- Net debt at period end of £31.8m (H1 2016: £13.1m), after £29m net cash outflow for the acquisition of LUZ, reflects strong underlying cash generation
  - £69m LUZ acquisition funded by existing cash resources, a £21.0m increase in our term loan and a £40m share placing

*\* before amortisation of intangibles, exceptional acquisition costs and in 2016 only, share based payment costs.*

#### **Operational Highlights:**

- Acquisition of LUZ in February 2017, a leading US-based translation company focusing exclusively on life sciences translation:
  - Provides Group with full service offering in life sciences, enhanced market share and West Coast presence
  - Excellent six weeks’ contribution
  - Integration with existing life science activities proceeding to plan
- Excellent performance from patent translation activities:
  - New client wins and encouraging pipeline in the US and Europe
  - Further progress in China
- PatBase revenues advanced by 21%
- Improved revenues in commercial translations

- Overall Group gross margin improved by a further 200 bps after advancing significantly in 2016
- Richard Thompson appointed as Chief Executive Officer

**Current Trading and Outlook:**

- Trading performance in the first two months of the second half has continued in line with our enhanced first half performance, further assisted by favourable currency movements and the LUZ acquisition
- The Group remains focused on developing sales opportunities across the world from its expanded service range and technology offerings
- Net estimated Euro trading exposure hedged at an average rate of 1 Euro = 86p to 30 September 2017. US dollar exposure naturally hedged

**Andrew Brode, Chairman of RWS, commented on outlook:**

“This has been a period of extremely strong performance across all of the Group’s service offerings. Having completed the integration of CTi, we were delighted to have acquired LUZ, which complements our existing life sciences offering both operationally and geographically.

“As the premier global supplier of intellectual property support services and now a major force in life sciences, we believe we are exceptionally well positioned to drive further international expansion.

“Both our financial and market positions remain strong and we continue to see an interesting pipeline of niche acquisition opportunities to complement our organic growth.

“Overall, we anticipate further progress in the second half of the financial year, with the full benefit of the LUZ acquisition which is already contributing strongly.”

**For further information contact:**

**RWS Holdings plc**

Andrew Brode, Chairman 01753 480200  
Richard Thompson, Chief Executive Officer

**MHP**

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Michael Burke (Corporate Broker)

**About RWS:**

RWS is the world’s leading provider of patent translations and one of the leading players in the provision of intellectual property support services and a market leader in life sciences translations and linguistic validation as well as a high level specialist language service provider in other technical areas, providing for the diverse needs of a blue-chip multinational client base from Europe, North America and Asia. RWS is based in the UK, with offices in Europe, the USA (New York, Hartford, Colorado, San Francisco, Boston and Chicago), China, Japan and Australia, and is listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: [www.rws.com](http://www.rws.com)

# RWS Holdings plc

## Half year report for the six months to 31 March 2017

### Chairman's Statement

RWS has delivered an outstanding performance in the first half of the current financial year, with a full contribution from CTi, excellent growth in patent translation services, a material improvement in gross margins, and an encouraging early contribution from LUZ, which we acquired in February 2017.

### Business Overview

RWS is the world's leading provider of patent translations and one of Europe's leading players in the provision of intellectual property support services and high level technical, medical, commercial, legal and financial translation services and linguistic validation. Its main business – patent translation and filing – translates well over 80,000 patents and intellectual property related documents each year. It has a blue chip multinational client base from Europe, North America and Asia, active in patent filing in the chemical, aerospace, defence, life sciences and pharmaceutical, automotive and telecoms industries, as well as an excellent global network of third party patent agents acting on behalf of clients. With its commercial translation division, the Group also provides translation and interpreting services in the above specialist areas outside the patent sphere. As a result of the October 2015 acquisition of Corporate Translations Inc ("CTi"), and the February 2017 acquisition of LUZ, Inc ("LUZ"), the Group is now a major global player in life sciences translation and linguistic validation with a strong presence across the US.

The Group's Information division provides a comprehensive range of patent search, retrieval and monitoring services, as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is exclusively by subscription.

Following the recent acquisitions, over 90% of Group revenues are derived from its highly specialised intellectual property and life sciences services.

### Strategy

Our strategy is focused upon organic growth complemented by selective acquisitions which can strengthen our market leading position and enhance shareholder value. Organic growth is driven by increases in the worldwide patent filing activities of our existing and potential multinational clients, enhanced service offerings, the growing demand for language services and our ability to increase our market share by winning new clients attracted by our leading position and reputation for outstanding quality. Our substantive portfolio of intellectual property support services offers cross-selling opportunities and strengthens our position in the IP market. CTi and LUZ position the Group as a major force in life sciences and offer a substantial growth opportunity driven by a combination of the growing markets for pharmaceutical, medical and other health products and services worldwide and the greater regulatory scrutiny and information requirements in these markets. They also provide us with a significant base from which to expand our sales in the substantial US market for all Group services.

In terms of acquisitive growth, we continue to search for and selectively review suitable potential acquisitions in the high level commercial translation and intellectual property support services sector, and in life sciences. We seek niche businesses capable of delivering well above industry average levels of profitability or highly complementary businesses reinforcing our dominant positions.

## Results and Financial Review

Sales for the six months ended 31 March 2017 were £76.6m (2016: £56.9m), an increase of 35%. Like for like sales increased by 10%, calculated on a constant currency basis and by excluding LUZ and adjusting for the one extra month's sales at CTi in H1 2017.

Profit before tax, amortization of intangibles, share option costs and exceptional acquisition costs, was £19.4m (2016: £13.9m), an increase of 39.6%. This includes a £1.1m contribution from six weeks of trading from LUZ. Adjusted earnings per share were up by 40.8% to 6.9p (2016: 4.9p).

At 31 March 2017, shareholder funds amounted to £152.3m (2016: £93.7m), augmented by the £40m placing of new shares in connection with the acquisition of LUZ. The five year term loan drawn down to acquire CTi in October 2015 was rolled up into a new term loan facility to part fund the LUZ acquisition.

As at 31 March 2017, net debt amounted to £31.8m (H1 2016: £13.1m), consisting of the term loan of £48.0m, less cash of £16.2m, which reflects the Group's strong underlying cash generation when taking account of the £29m net cash outflow for the consideration for the LUZ acquisition during the period. During the six months ended 31 March 2017, the major cash outlays were the 2016 final dividend of £9.6m, corporation tax of £4.8m, and the total LUZ acquisition costs of £69.0m which was part funded by a placing to raise £40m. Term loan repayments were £3.6m.

## Currency Effects and Hedging

The Group's principal exposure is to the Euro and more recently, following the US acquisitions, to the US Dollar. The average conversion rate for the Euro was 85.8p = 1 Euro versus 74.6p in the first half of 2016 Financial year. For the US Dollar, the average rate was 1.24 dollars = 1 £ versus 1.46 dollars in the six months ended 31 March 2016.

Looking forward, the Group has hedged its estimated net trading exposure to the Euro at 1 Euro = 86.0p to 30 September 2017. US Dollar exposure is naturally hedged as the Group's term loan is denominated in US Dollars. The estimated net effect on the Group's trading results from exchange rate movements and mark to market on forward contracts was a positive £1.3m as compared to the results for the first half of 2016.

## Dividend

The Directors have approved an interim dividend of 1.30p per share, an increase of 13% over the 2016 interim dividend of 1.15p. This increase reflects both the Group's strong financial position and the Board's belief that further progress can be achieved. This dividend will be paid on 21 July 2017 to those shareholders on the register on 30 June 2017. The Group remains committed to a progressive dividend policy, as announced at flotation in November 2003 and delivered every year since then.

## Operating Review

### *Patent Translations and Filing*

The Group's core patent translations and filing activities, which now account for approximately 65% of total sales, grew revenues by 34.8% to £49.6m (2016: £36.8m). This was driven by increased levels of business from a number of our established clients, some meaningful new client wins and particularly some strong growth in China. We continue to enhance our market leadership, especially amongst the world's most active international patent filers. Our inovia-branded patent filing business and technology platform, now fully integrated into the Group, continues to drive patent translation revenues in Europe, the USA and Australia and is also being marketed in Asia. Demand from European and North American corporates applying for patents in China continues to expand, whilst we are now also seeing increasing demand from Chinese firms applying for patents in other markets. We now have three offices in China and have expanded our sales team in the region. The current pipeline of new client opportunities is encouraging.

### *Information*

The Group's information business (patent search, watch and litigation support, as well as PatBase) delivers excellent margins despite accounting for just 5% of Group revenues. Search activities were 27.8% ahead of 2016. PatBase, our subscription-only database service, has experienced exceptional

growth, with recognised revenues advancing 20.7% versus 2016. We continue to invest in IT infrastructure, searchability features and geographic coverage.

#### *Life Sciences*

In less than eighteen months the Group has achieved a leading position in all aspects of life sciences translation and linguistic validation, through its acquisitions of CTi and LUZ, such that life sciences accounts for 22% of Group revenues in the first half. These acquisitions also provide the strategic presence in the US market which we stated in June 2015 we would seek, and the Group's existing infrastructure will form a platform from which Life Sciences can address the Far Eastern markets.

CTi was fully integrated into the Group during 2016. In February 2017 RWS acquired LUZ, which is based in San Francisco and specialises in translation services for both medical device and regulatory sectors of the life sciences market. Its integration has proceeded smoothly and to plan and it is performing in line with our expectations. In FY2018, as we benefit from a full year contribution from LUZ, we expect that our combined life sciences activities will deliver approximately 30% of total Group revenues, as well as providing cross selling opportunities for patent translations in the USA.

#### *Commercial Translations*

Our commercial translations business accounts for approximately 8% of Group sales and delivered satisfactory results in a highly competitive market place, albeit aided by currency tailwinds. The business includes all non-patent activities, excluding life sciences, and is the Group activity most exposed to economic cycles. Given the continuing modest growth rates in this division's core markets, we increased revenues to £6.3m (2016: £6.0m) which is a robust outcome. New wins at existing clients, and an expanding interpreting offering, have served to replace cyclical sales from several large clients, whilst we also continue to optimise the use of our resources by growing the patent translation facility we have recently established in Germany.

### **Market and Regulatory Update**

#### *Patent Filing Statistics*

The World Intellectual Property Organisation (WIPO) recently published figures showing a 7.3% increase in the 2016 PCT filings to 233,000. Applicants from the USA remain the largest filers under this system with the largest growth coming from China, up 44.7% on prior year, with a total share of 18.5%. Cumulative PCT applications reached 3 million in February 2017. The European Patent Office (EPO) has also issued statistics showing that the total number of European patent filings increased by 6.2% to 296,000 in 2016, again a new record. In addition, European filings from Chinese applicants increased by 25.0%.

#### *Life Sciences Market*

Life sciences was a £1,078.7bn market in 2015 and is expected to have a CAGR of 5.5% between 2015-2019 (Source: Deloitte, 2016 Global Life Sciences Outlook). The growing markets for pharmaceutical, medical and other health products and services worldwide, combined with greater regulatory scrutiny and information requirements underpin a substantial growth opportunity for language services.

#### *European Union Patent*

We now expect the proposed European Union Patent ("the Unitary Patent") to come into effect in the first quarter of calendar 2018 at the earliest. The Brexit negotiations may influence implementation.

The proposed Unitary Patent, when implemented, will not have the same territorial coverage as the current, long-established patent application procedures, and will run in parallel. It will also have a different litigation process and fee structure. As such, we believe our major clients will be cautious in their take up of the new system and will decide upon their patenting strategies as they observe the Unitary Patent in action and assess which of the two systems they prefer for the majority of their filings. We continue to anticipate minimal financial impact for the foreseeable future and closely monitor client reaction and regulatory developments.

## **Board and People**

Richard Thompson was appointed as Chief Executive Officer with effect from 1 April 2017, succeeding Reinhard Ottway who had decided to retire following more than 23 years with the Group.

Richard joined RWS in 2012 as Chief Financial Officer and, following a successful three years in that position, took on the broader role of Deputy Chief Executive Officer from December 2015. In that position, Richard had successfully spearheaded the acquisition and integration of CTi and LUZ into the Group, following which he continued to oversee the Group's Life Sciences activities, giving him an excellent track record in successfully driving the Company's growth.

The Board is making good progress with the search for a new Chief Financial Officer and will provide an update in due course.

RWS is a quintessential 'people' business. Our excellent and leading reputation depends upon the skills and commitment of our staff. The headcount (including 97 LUZ employees) had reached 887 at 31 March 2017 (2016: 787), and I am grateful for their contribution to delivering this exceptionally strong set of results.

## **Current Trading and Outlook**

This has been a period of strong progress in which RWS has performed particularly well, despite a low-growth world economic environment. The business has consolidated its world leading position in intellectual property and established a market leading position in life sciences support services through the acquisitions of CTi and LUZ.

Trading in the first two months of the second half has continued in line with our enhanced first half performance, further assisted by favourable currency movements and the LUZ contribution. Our technology platforms, extended expertise, geographical presence and market position form a strong base from which we intend to expand aggressively and profitably and we are encouraged by the opportunities we are seeing across the business. Furthermore, the Group's robust financial position and strong cash generation leaves us well placed to continue to selectively review a healthy pipeline of potential acquisitions.

The Board is, therefore, confident of further progress in the second half of the financial year and beyond.

Andrew Brode  
Chairman

RWS Holdings plc

Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited 6 months ended 31 March 2017 £'000	Audited Year ended 30 September 2016 £'000	Unaudited 6 months ended 31 March 2016 £'000
Revenue	2	76,615	121,986	56,853
Cost of sales		(43,114)	(69,792)	(33,170)
<b>Gross Profit</b>		<b>33,501</b>	<b>52,194</b>	<b>23,683</b>
Administrative expenses		(19,537)	(25,671)	(11,932)
<b>Operating profit</b>		<b>13,964</b>	<b>26,523</b>	<b>11,751</b>
Analysed as:				
Operating profit before charging:		19,012	32,023	14,773
Amortization of customer relationships, trademarks and technology		(2,682)	(4,639)	(2,117)
Acquisition costs		(2,366)	(855)	(899)
Share based payment costs		-	(6)	(6)
<b>Operating profit</b>		<b>13,964</b>	<b>26,523</b>	<b>11,751</b>
Finance income	3	720	16	12
Finance expense	3	(358)	(1,448)	(893)
<b>Profit before tax</b>		<b>14,326</b>	<b>25,091</b>	<b>10,870</b>
Taxation expense		(3,669)	(5,758)	(2,715)
<b>Profit for the period</b>	2	<b>10,657</b>	<b>19,333</b>	<b>8,155</b>
<b>Other comprehensive income*</b>				
Exchange gain on retranslation of foreign operations		2,524	8,479	2,639
<b>Total other comprehensive income</b>		<b>2,524</b>	<b>8,479</b>	<b>2,639</b>
<b>Total comprehensive income attributable to: Owners of the parent</b>		<b>13,181</b>	<b>27,812</b>	<b>10,794</b>
Basic earnings per Ordinary share (pence per share)	5	4.9	9.0	3.8
Diluted earnings per Ordinary share (pence per share)	5	4.8	9.0	3.8

\*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 2017 £'000	Audited at 30 September 2016 £'000	Unaudited at 31 March 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	99,060	61,518	56,669
Intangible assets	57,720	28,421	28,334
Property, plant and equipment	17,907	17,630	17,627
Deferred tax assets	1,858	1,875	487
	<b>176,545</b>	<b>109,444</b>	<b>103,117</b>
<b>Current assets</b>			
Trade and other receivables	38,013	28,173	26,389
Foreign exchange derivatives	34	-	-
Cash and cash equivalents	16,193	27,910	16,561
	<b>54,240</b>	<b>56,083</b>	<b>42,950</b>
	<b>230,785</b>	<b>165,527</b>	<b>146,067</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Loans	9,600	6,923	6,250
Trade and other payables	24,990	20,207	17,729
Foreign exchange derivatives	-	681	379
Income tax payable	3,721	4,702	2,309
Provisions	80	79	78
	<b>38,391</b>	<b>32,592</b>	<b>26,745</b>
<b>Non-current liabilities</b>			
Loans	38,400	22,500	23,438
Other payables	30	30	30
Provisions	340	379	258
Deferred tax liabilities	1,343	1,326	1,906
	<b>40,113</b>	<b>24,235</b>	<b>25,632</b>
	<b>78,504</b>	<b>56,827</b>	<b>52,377</b>
	<b>152,281</b>	<b>108,700</b>	<b>93,690</b>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	2,279	2,157	2,157
Share premium	48,827	8,947	8,888
Share based payment reserve	875	875	887
Reverse acquisition reserve	(8,483)	(8,483)	(8,483)
Foreign currency reserve	12,641	10,117	4,277
Retained earnings	96,142	95,087	85,964
	<b>152,281</b>	<b>108,700</b>	<b>93,690</b>



RWS Holdings plc

Condensed Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves (see below) £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 30 September 2015 (audited)	2,116	3,583	(5,044)	85,035	85,690
Profit for the period	-	-	-	8,155	8,155
Currency translation differences	-	-	2,639	-	2,639
Other Comprehensive income for the period at 31 March 2016	-	-	2,639	8,155	10,794
Issues of shares	41	5,305	-	-	5,346
Dividends	-	-	-	(8,146)	(8,146)
Exercise of share options	-	-	(920)	920	-
Credit arising on share based payment charges	-	-	6	-	6
At 31 March 2016 (unaudited)	2,157	8,888	(3,319)	85,964	93,690
Profit for the period	-	-	-	11,178	11,178
Currency translation differences	-	-	5,840	-	5,840
Other Comprehensive income for the period 30 September 2016	-	-	5,840	11,178	17,018
Issue of shares	-	59	-	-	59
Deferred tax on unexercised share options	-	-	-	414	414
Dividends	-	-	-	(2,481)	(2,481)
Exercise of share options	-	-	(12)	12	-
Credit arising on share based payment charges	-	-	-	-	-
At 30 September 2016 (audited)	2,157	8,947	2,509	95,087	108,700
Profit for the period	-	-	-	10,657	10,657
Currency translation differences	-	-	2,524	-	2,524
Other Comprehensive income for the period at 31 March 2017	-	-	2,524	10,657	13,181
Issue of shares	122	39,880	-	-	40,002
Dividends	-	-	-	(9,602)	(9,602)
<b>At 31 March 2017 (unaudited)</b>	<b>2,279</b>	<b>48,827</b>	<b>5,033</b>	<b>96,142</b>	<b>152,281</b>

  

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 30 September 2015 (audited)	1,801	(8,483)	1,638	(5,044)
Currency translation differences	-	-	2,639	2,639
Other Comprehensive income for the period at 31 March 2016	-	-	2,639	2,639
Exercise of share options	(920)	-	-	(920)
Credit arising on share based payment charges	6	-	-	6
At 31 March 2016 (unaudited)	887	(8,483)	4,277	(3,319)
Currency translation differences	-	-	5,840	5,840
Other Comprehensive income for the period at 30 September 2016	-	-	5,840	5,840
Exercise of share options	(12)	-	-	(12)
At 30 September 2016 (audited)	875	(8,483)	10,117	2,509
Currency translation differences	-	-	2,524	2,524
Other Comprehensive income for the period at 31 March 2017	-	-	2,524	2,524
<b>At 31 March 2017 (unaudited)</b>	<b>875</b>	<b>(8,483)</b>	<b>12,641</b>	<b>5,033</b>

RWS Holdings plc

Condensed Consolidated Statement of Cash Flows

	Note	Unaudited 6 months ended 31 March 2017 £'000	Audited Year ended 30 September 2016 £'000	Unaudited 6 months ended 31 March 2016 £'000
<b>Cash flows from operating activities</b>				
Profit before tax		14,326	25,091	10,870
Adjustments for:				
Depreciation of property, plant and equipment		583	941	470
Amortization of intangible assets		2,704	4,719	2,130
Share based payment costs		-	6	6
Finance income		(720)	(16)	(12)
Finance expense		358	1,448	893
<b>Operating cash flow before movements in working capital and provisions</b>		<b>17,251</b>	<b>32,189</b>	<b>14,357</b>
Increase in trade and other receivables		(5,023)	(4,249)	(2,467)
Increase/(decrease) in trade and other payables		2,452	1,652	(868)
<b>Cash generated from operating activities</b>		<b>14,680</b>	<b>29,592</b>	<b>11,022</b>
Income tax paid		(4,821)	(5,196)	(2,993)
<b>Net cash inflow from operating activities</b>		<b>9,859</b>	<b>24,396</b>	<b>8,029</b>
<b>Cash flows from investing activities</b>				
Interest paid		(274)	(369)	(204)
Interest received		5	16	12
Acquisition of subsidiary, net of cash acquired	7	(68,961)	(47,068)	(47,068)
Purchases of property, plant and equipment		(615)	(731)	(314)
Purchases of intangibles (computer software)		(680)	(169)	(152)
<b>Net cash outflow from investing activities</b>		<b>(70,525)</b>	<b>(48,321)</b>	<b>(47,726)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowing		21,000	29,485	29,485
Repayment of borrowing		(3,560)	(4,874)	(1,619)
Proceeds from the issue of share capital		40,002	5,405	5,346
Dividends paid		(9,602)	(10,627)	(8,146)
<b>Net cash inflow from financing activities</b>		<b>47,840</b>	<b>19,389</b>	<b>25,066</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(12,826)</b>	<b>(4,536)</b>	<b>(14,631)</b>
Cash and cash equivalents at beginning of the period		27,910	30,569	30,569
Exchange gains on cash and cash equivalents		1,109	1,877	623
<b>Cash and cash equivalents at the end of the period</b>	6	<b>16,193</b>	<b>27,910</b>	<b>16,561</b>
<b>Free cash flow</b>				
Analysis of free cash flow				
Net cash generated from operating activities		14,680	29,592	11,022
Net interest paid		(269)	(353)	(192)
Income tax paid		(4,821)	(5,196)	(2,993)
Purchases of property, plant and equipment		(615)	(731)	(314)
Purchases of intangibles (computer software)		(680)	(169)	(152)
<b>Free cash flow</b>		<b>8,295</b>	<b>23,143</b>	<b>7,371</b>

## RWS Holdings plc

### 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 19 June 2017. The interim results for the half years ended 31 March 2017 and 31 March 2016 are neither audited nor reviewed by our auditors and 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 the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2016.

The Group's statutory accounts for the year ended 30 September 2016 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.

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.

#### 2. Segmental reporting

The Board monitors and manages the Group in four reportable segments and assesses these segments based on revenue and profit/(loss) from operations.

The four segments are:

- Translation division providing patent and technical document translation and filing services in the UK, USA, Europe, Japan and China.
- Life Sciences division providing technical translations and linguistic validation to the Medical and Pharmaceutical sector. The division includes the recently acquired LUZ, Inc.
- Commercial division providing specialist technical translation, localisation and interpreting services.
- Information division which offers a full range of patent search, retrieval and monitoring services as well as an extremely comprehensive patent database service accessible by subscribers, known as PatBase.

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

The segment results for the six months ended 31 March 2017 are as follows:

	Patent and Commercial UK £'000	Patent and Commercial Overseas £'000	Life Sciences £'000	Information £'000	Unallocated £'000	Group £'000
<b>Revenue</b>						
Patent translation	46,794	2,817	-	-	-	49,611
Commercial translation	3,471	2,785	-	-	-	6,256
Life Sciences	-	-	16,998	-	-	16,998
Information	-	-	-	3,750	-	3,750
<b>Total Revenue</b>	<b>50,265</b>	<b>5,602</b>	<b>16,998</b>	<b>3,750</b>	<b>-</b>	<b>76,615</b>
Operating profit/(loss) before charging:	12,799	1,070	3,667	1,980	(504)	19,012
Amortization of customer relationships, trademarks and technology	(554)	(184)	(1,872)	(72)	-	(2,682)
Acquisition costs	-	-	-	-	(2,366)	(2,366)
<b>Operating profit/(loss)</b>	<b>12,245</b>	<b>886</b>	<b>1,795</b>	<b>1,908</b>	<b>(2,870)</b>	<b>13,964</b>
Finance income						720
Finance expense						(358)
<b>Profit before tax</b>						<b>14,326</b>
Taxation						(3,669)
<b>Profit for the period</b>						<b>10,657</b>

Overseas intercompany sales to the UK amounting to £3.1 million are eliminated on consolidation.

Segment assets	71,760	11,184	138,169	6,964	2,708	230,785
Segment liabilities	12,703	2,577	58,053	4,203	968	78,504
<b>Net assets</b>	<b>59,057</b>	<b>8,607</b>	<b>80,116</b>	<b>2,761</b>	<b>1,740</b>	<b>152,281</b>

## RWS Holdings plc

### Notes to the Condensed Consolidated Financial Statements (continued)

The segment results for the year ended 30 September 2016 were as follows:

	Patent and Commercial UK £'000	Patent and Commercial Overseas £'000	Life Sciences £'000	Information £'000	Unallocated £'000	Group £'000
Revenue						
Patent translation	74,704	4,655	-	-	-	79,359
Commercial translation	6,277	5,578	-	-	-	11,855
Life Sciences	-	-	24,416	-	-	24,416
Information	-	-	-	6,356	-	6,356
<b>Total Revenue</b>	<b>80,981</b>	<b>10,233</b>	<b>24,416</b>	<b>6,356</b>	<b>-</b>	<b>121,986</b>
Operating profit/(loss) before charging:	20,325	2,604	6,170	3,598	(674)	32,023
Amortization of customer relationships, trademarks and technology	(981)	(334)	(3,181)	(143)	-	(4,639)
Acquisition costs	-	-	-	-	(855)	(855)
Share based payment costs	(3)	-	-	-	(3)	(6)
Operating profit/(loss)	19,341	2,270	2,989	3,455	(1,532)	26,523
Finance income						16
Finance expense						(1,448)
<b>Profit before tax</b>						<b>25,091</b>
Taxation						(5,758)
Profit for the year						19,333

Overseas intercompany sales to the UK amounting to £6.1 million were eliminated on consolidation.

Segment assets	73,083	12,790	69,622	6,116	3,916	165,527
Segment liabilities	12,584	2,831	37,135	2,432	1,845	56,827
Net assets	60,499	9,959	32,487	3,684	2,071	108,700

The segment results for the six months ended 31 March 2016 were as follows:

	Patent and Commercial UK £'000	Patent and Commercial Overseas £'000	Life Sciences £'000	Information £'000	Unallocated £'000	Group £'000
Revenue						
Patent translation	34,583	2,186	-	-	-	36,769
Commercial translation	3,367	2,595	-	-	-	5,962
Life Sciences	-	-	11,077	-	-	11,077
Information	-	-	-	3,045	-	3,045
<b>Total Revenue</b>	<b>37,950</b>	<b>4,781</b>	<b>11,077</b>	<b>3,045</b>	<b>-</b>	<b>56,853</b>
Operating profit/(loss) before charging:	9,139	1,256	3,038	1,692	(352)	14,773
Amortization of customer relationships, trademarks and technology	(475)	(159)	(1,411)	(72)	-	(2,117)
Acquisition costs	-	-	-	-	(899)	(899)
Share based payment costs	(3)	-	-	-	(3)	(6)
Operating profit/(loss)	8,661	1,097	1,627	1,620	(1,254)	11,751
Finance income						12
Finance expense						(893)
<b>Profit before tax</b>						<b>10,870</b>
Taxation						(2,715)
Profit for the period						8,155

Overseas intercompany sales to the UK amounting to £2.9 million were eliminated on consolidation.

Segment assets	63,003	12,488	61,987	6,200	2,389	146,067
Segment liabilities	10,818	2,338	34,665	3,392	1,164	52,377
Net assets/(liabilities)	52,185	10,150	27,322	2,808	1,225	93,690

### 3 Finance income and expense

	6 months ended 31 March 2017 £'000	Year ended 30 September 2016 £'000	6 months ended 31 March 2016 £'000
Finance income			
- Returns on short-term deposits	5	16	12
- Movement in the fair value of foreign currency contracts	715	-	-
Finance expense			
- Bank interest payable	(358)	(458)	(205)
- Movement in the fair value of foreign currency contracts	-	(990)	(688)
<b>Net finance income/(expense)</b>	<b>362</b>	<b>(1,432)</b>	<b>(881)</b>

## RWS Holdings plc

### Notes to the Condensed Consolidated Financial Statements (continued)

#### 4 Dividends

	6 months ended 31 March 2017		Year ended 30 September 2016		6 months ended 31 March 2016	
	pence per share	£'000	pence per share	£'000	pence per share	£'000
Interim paid July	-	-	1.15	2,481	-	-
Final paid February	4.45	9,602	3.85	8,146	3.85	8,146
Dividends paid to shareholders	4.45	9,602	5.00	10,627	3.85	8,146

An interim dividend of 1.30 pence per Ordinary share will be paid on 21 July 2017 to Shareholders on the register at 30 June 2017. 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 2017. The interim dividend will reduce shareholders' funds by an estimated £3.0 million.

#### 5 Earnings per Ordinary share

The Group shows both a basic and adjusted earnings per share figure 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 2017		Year ended 30 September 2016		6 months ended 31 March 2016	
	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence	Earnings £'000	EPS Pence
Profit for the period	10,657	4.9	19,333	9.0	8,155	3.8
Adjustments:						
Amortization of customer relationships, trademarks and technology	2,682	1.2	4,639	2.2	2,117	1.0
Acquisition costs	2,366	1.1	855	0.4	899	0.4
Charges for share based payments	-	-	6	-	6	-
Tax effect of adjustments	(714)	(0.3)	(1,515)	(0.7)	(604)	(0.3)
Adjusted earnings	14,991	6.9	23,318	10.9	10,573	4.9
Basic diluted earnings	10,657	4.8	19,333	9.0	8,155	3.8
Adjusted diluted earnings	14,991	6.8	23,318	10.8	10,573	4.9

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.

	Number of shares 6 months ended 31 March 2017	Number of shares Year ended 30 September 2016	Number of shares 6 months ended 31 March 2016
Weighted average number of ordinary shares in issue for basic earnings	218,620,204	214,215,397	212,694,548
Dilutive impact of share options	2,297,486	1,564,458	2,305,214
Weighted average number of Ordinary shares for diluted earnings	220,917,690	215,779,855	214,999,762

#### 6 Cash and cash equivalents

	at 31 March 2017 £'000	at 30 September 2016 £'000	at 31 March 2016 £'000
Cash at bank and in hand	15,232	18,477	9,616
Short-term deposits	961	9,433	6,945
Cash and cash equivalents in the cash flow statement	16,193	27,910	16,561

Short-term deposits includes 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.

## RWS Holdings plc

### Notes to the Condensed Consolidated Financial Statements (continued)

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#### 7 Acquisition

On 17 February 2017, the Group acquired the entire issued share capital of LUZ, Inc for a cash consideration of US\$82.5 million plus US\$4.9 million for working capital. The acquisition was funded by a £40 million share placing, a US\$26.25 million five year loan and internal cash resources.

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

	Book and provisional fair values £'000
Net assets acquired:	
Property, plant and equipment	256
Non-compete agreements with former owners of LUZ, Inc	3,181
Orderbook	329
Customer relationships	23,677
Technology	3,093
Trade and other receivables	4,820
Cash and cash equivalents	965
Trade and other payables	<u>(2,212)</u>
	34,109
Goodwill	<u>35,817</u>
Total consideration	<u>69,926</u>
Satisfied by:	
Cash	48,926
Loan	<u>21,000</u>
	69,926
Cash flow:	
Total consideration	69,926
Cash included in undertaking acquired	(965)
Net cash consideration in cash flow statement	<u>68,961</u>

LUZ, Inc contributed £3.5 million revenue and £0.7 million to the Group's profit after tax for the year between the date of acquisition and the balance sheet date.

Acquisition costs of £2.37 million have been charged through the Comprehensive Income Statement.

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#### 8 Events since the reporting date

No significant events have occurred since 31 March 2017 at the date of authorisation of these financial statements.

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