

## RWS Holdings plc

### Results for the year ended 30 September 2018

*An outstanding year, consolidating our leading position in global language services*

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, localization and commercial language services, today announces its final results for the year ended 30 September 2018.

#### Financial highlights

	2018	2017	Change
<b>Revenue</b>	<b>£306.0m</b>	<b>£164.0m</b>	<b>+87%</b>
<b>Adjusted operating profit<sup>1</sup></b>	<b>£66.3m</b>	<b>£43.4m</b>	<b>+53%</b>
<b>Adjusted profit before tax<sup>1</sup></b>	<b>£61.8m</b>	<b>£43.3m</b>	<b>+43%</b>
<b>Reported profit before tax</b>	<b>£39.7m</b>	<b>£33.9m</b>	<b>+17%</b>
<b>Adjusted earnings per share</b>	<b>17.4p</b>	<b>14.3p</b>	<b>+22%</b>
<b>Basic earnings per share</b>	<b>10.4p</b>	<b>11.0p</b>	<b>-5%</b>
<b>Dividend</b>			
Proposed final	6.0p	5.2p	+15%
Total for year	7.5p	6.5p	+15%
<b>Net debt<sup>2</sup></b>	<b>£65.1m</b>	<b>£20.2m</b>	<b>+222%</b>

<sup>1</sup> 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 operating profit is stated before interest, amortization of intangibles, share option costs and acquisition costs. Adjusted profit before tax is stated before amortization of intangibles, share option costs and acquisition costs.

<sup>2</sup> After the new loan facilities and the £185m gross proceeds from the share placing in October 2017, for the acquisition of Moravia.

## Operational highlights

### *Successful acquisition and assimilation of leading localization provider*

- Completed acquisition of Moravia in November 2017, enhancing our global presence and helping to position RWS as a leading global language service provider with a dedicated localization division
- The acquisition has significantly enhanced earnings, contributing to a 22% increase in adjusted earnings per share to 17.4p (2017: 14.3p)
- Excellent second half at Moravia seeing adjusted operating profit up 162% to £12.3m, following slower first half<sup>1</sup> (H1: £4.7m)
- Successfully completed assimilation and rebranding to RWS Moravia on 1 October 2018

### *Growth in sales and profits across the Group*

- Growth in revenue and underlying<sup>2</sup> adjusted operating profit across all divisions, notably:
  - Patent Translation & Filing revenue up 5% to £102.3m (2017: £97.8m) and adjusted operating profit up 15% to £30.9m (2017: £26.9m)
  - Life Sciences revenue up 15% to £52.3m (2017: £45.3m), including a full year contribution from LUZ, with the margin benefit of the integration of LUZ and CTi resulting in a 21% increase in adjusted operating profit to £14.5m (2017: £12.0m)
- Good new business wins across the Group including from meaningful successes in cross-selling. Further enabling sales teams to pitch RWS's full suite of services remains a key focus for FY 2019
- Strengthened the Board with the appointment of Tomas Kratochvíl, former CEO of Moravia, who brings extensive knowledge of the global localization market

<sup>1</sup> Note: H2 includes one additional month of trading (H1 - five months, H2 - six months).

<sup>2</sup> Calculated excluding the acquisitions and at constant currency.

## Outlook

- The Group has made a very good start to FY 2019 with a strong performance in the first two months, underscoring our expectations of delivering another record year



- Our enhanced global presence and diversified service offering provides a strong platform for developing sales opportunities across our full suite of services and technology platforms to new and existing clients

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

“This has been a remarkable year in which we celebrated our 60<sup>th</sup> year in business and delivered our 15<sup>th</sup> year of unbroken growth in revenues, profits and dividends since flotation in November 2003.

“We were delighted to complete the transformational acquisition of Moravia and receive “Transaction of the Year” at the recent AIM Awards. The Moravia team delivered a very strong second half and we look forward to further growth from this business.

“The Group is now one of the world’s leading providers of language services, with a strong platform for taking advantage of the multiple opportunities afforded by our enhanced service offering, extended global presence and the growing markets for our intellectual property, life sciences and localization businesses. Backed by a strong balance sheet, we are also well positioned to take advantage of further acquisition opportunities as they arise.

“We have made a very good start to the new financial year and we look forward to 2019 with confidence.”

**For further information contact:**

**RWS Holdings plc**

Andrew Brode, Chairman

01753 480200

Richard Thompson, Chief Executive Officer

**MHP**

Katie Hunt / Simon Hockridge

0203 128 8100

**Numis**

Stuart Skinner / Kevin Cruickshank (Nominated Adviser)

0207 260 1000

Michael Burke (Corporate Broker)



## 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 in Europe, the United States, China, Japan, Australia and Argentina, 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)

## 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.



## Chairman's Statement

### Introduction

RWS, which celebrated its 60<sup>th</sup> year in business in 2018, has grown to become one of the world's leading providers of language services. Following the transformational acquisition of Moravia in November 2017, which won "Transaction of the Year" at the recent AIM Awards, the Group now employs almost 2,500 people with operations across five continents.

We announced in June 2015 that our strategy for growth would focus on the United States to 2020, and that beyond 2020 we believed that China would become an important area for growth. Since that announcement, RWS has made four acquisitions with a US focus and built market-leading activities in intellectual property support services, in life sciences and in technology-enabled localization. China shows every sign of fulfilling the strategic growth potential we envisaged in 2015.

### Performance

The Group delivered revenues of £306.0m, growing 87% over 2017 (£164.0m). The Moravia acquisition was by far the most significant contributor to this substantial increase, but all divisions delivered growth, contributing to 5% organic revenue growth across the Group (excluding acquisitions and currency movements).

Adjusted profit before tax grew by 43% to £61.8m (2017: £43.3m), reflecting an 11-month contribution from Moravia. Adjusted profit before tax increased by 6% on an organic (excluding acquisitions and related additional borrowing costs) and constant currency basis. Our balance sheet remains strong with net assets more than doubling to £355.3m (2017: £158.9m). Net debt was £65.1m (2017: £20.2m) despite the £66.8m cash outflow for the Moravia acquisition, in addition to the £185m gross placing proceeds raised to fund it, signifying continued strong underlying cash generation from which we have also repaid £17.8m of borrowings during the year. As a result, leverage (net debt: EBITDA<sup>1</sup>) at the year-end was a comfortable 1 times.

I am proud that RWS has delivered increases in revenues, profits and dividends in every year since flotation in November 2003.

<sup>1</sup> EBITDA – profit before tax adjusted for interest, depreciation and amortization.

### People and Board

The Group's advancement to being one of the top tier global language service providers is testament to the efforts of every single colleague who has helped to make it happen. RWS is a quintessential "people" business, dedicated to providing superior quality of service to a cross section of the world's largest and most demanding clients. The Board is determined to continue investing in the development of our staff and helping them to realize their full potential. I would like to thank the senior management team and all our hard-working employees.

I would also like to thank my fellow Directors for their advice and dedication. The Board was strengthened in early 2018 by the appointment of Tomas Kratochvíl. Tomas was the long serving CEO of Moravia, and upon his retirement from that role, we were delighted that he accepted our invitation to join the RWS Holdings plc Board, enabling us to benefit from his wealth of language industry knowledge. Tomas was succeeded at Moravia by Paul Danter, who has delivered an excellent second-half performance from this milestone acquisition.

### **Dividend**

The Group adopted a progressive dividend policy upon flotation in November 2003 and has delivered on this policy every year. The highly cash generative business model and modest capex requirements have combined to permit servicing of acquisition related debt, continued organic investment in the business and an increasing dividend.

The Board is, therefore, pleased to recommend a final dividend of 6.0p per share which, together with the interim dividend of 1.5p per share, will make a total dividend for the year ended 30 September 2018 of 7.5p per share, an increase of 15% compared to 2017. Subject to approval at the AGM, it will be paid on 22 February 2019 to shareholders on the register as at 25 January 2019.

### **Summary and Outlook**

This has been a remarkable year with our fast expanding Group delivering profitable organic and acquisitive growth and strong cash conversion.

The Group is now a well-balanced business with a more diversified service offering and an enhanced global presence, providing a strong platform for developing sales opportunities across our full suite of services and technology platforms to new and existing clients.

The new financial year has begun in a very promising manner and we look forward to 2019 with confidence. Our leading intellectual property support services, life sciences and technology-enabled localization businesses are well placed to take advantage of the multiple opportunities in their growing markets and, backed by a strong balance sheet, we are positioned to take advantage of further acquisition opportunities as they arise.

It remains a distinct pleasure to chair a fast expanding Group delivering profitable growth and strong cash conversion, in a business sector which is also growing and offering multiple opportunities.

Andrew Brode

Chairman

10 December 2018

## Strategic Report

### Business Model

RWS is one of the world's leading providers of language services, 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.

Following the acquisition of Moravia, the Group operated as five divisions:

- **RWS Patent Translation & Filing** is the world's premier supplier of patent translations and filing solutions. RWS differentiates itself from the competition through the quality of its translations, its high level of intellectual property expertise, its customer service and the use of its international web-based patent filing platform, inovia. Uniquely the business employs over 130 full-time, highly qualified translators.
- **RWS Patent Information** 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 sold as an annual subscription service.
- **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, Europe and Asia. This division was formed on 1 October 2017 following the integration of CTi and LUZ.
- **Moravia** works with many of the world's largest publicly traded technology companies to manage their complex localization needs and ensure brand consistency as they grow globally. This includes the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies.
- **RWS Language Solutions** operates from the UK, Germany and the US, and provides commercial translation solutions with a particular emphasis on technical translations, as well as operating the Group's interpreting service.

On 1 October 2018, we completed the assimilation and rebranding of Moravia to RWS Moravia.

With effect from 1 October 2018, RWS Patent Translation & Filing and RWS Patent Information were merged to form RWS IP Services. In future, we will report on their performance as one segment.

### Our Strategy

To profitably grow the business, we are focused on providing an increasing range of appropriate services to existing and new clients. Organic growth is supplemented by selective acquisitions that 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 multinational clients
- the development of new drugs by the pharmaceutical industry
- 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 its leading position and reputation in an otherwise highly fragmented sector
- the Group's ability to expand in new or existing but growing geographies
- an increase in cross divisional selling of the Group's suite of services

In terms of acquisitions to further accelerate growth, we look for selective opportunities in the intellectual property services and specialist language services spaces. We seek businesses capable of delivering above industry average levels of profitability, which are highly complementary and are capable of reinforcing the Group's dominant position in intellectual property support and language services.

We are particularly pleased to be able to show our progress against this strategy with 15 consecutive years of growth in revenues and profits since flotation.

Year ended 30 Sep	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenue (£m)</b>	27.3	31.0	35.9	40.8	46.2	54.1	55.7	60.6	65.4	68.8	77.4	93.6	95.2	122.0	164.0	306.0
<b>Adj PBT (£m)</b>	5.6	6.0	7.4	9.0	11.0	13.9	14.5	14.6	16.2	17.2	21.0	22.1	22.7	30.6	43.3	61.8



## Market Update

### *Global language services market*

In June 2018, Common Sense Advisory published its 14<sup>th</sup> study of the market for outsourced language services. This year the market is estimated to reach US\$46.5bn (2017: US\$43.1bn), continuing the unbroken growth record since 2009 (CAGR: 7.9%). Increased demand for content from a growing and increasingly interconnected world is fuelling this demand for high-quality localization.

### *Global life sciences market*

In its 2018 Global Life Sciences Outlook, Deloitte estimates that the life sciences market will reach US\$1,060bn by 2022, representing a CAGR of 6.5% since 2017. Growth in the life sciences sector is closely tied to global healthcare expenditures which continues to grow as a result of ageing and growing populations, developing market expansion and clinical and technological advances. For pharmaceutical/biotechnology, medical device companies and contract research organizations, this means more content that needs to be translated.

### *Patent Filing Statistics*

The World Intellectual Property Organization (WIPO) has published figures showing a 4.5% worldwide increase in patent applications filed under the Patent Cooperation Treaty (PCT) in 2017. This is the eighth consecutive year of growth, with approximately 243,500 applications being received. The largest number of filers continue to be located in the United States, but the number of applications from China continues to grow, driven by Huawei and ZTE, who are the top two filers globally. The European Patent Office (EPO) reports European patent filings remained at record levels with 310,784 applications in 2017 - an increase of 4.4%.

## Operating Review

### *RWS Patent Translation & Filing*

The Group's patent translation and filing business represented 33% of Group sales in the year and grew revenues by 5% to £102.3m (2017: £97.8m). This performance reflects earlier client wins and good organic growth from the established core client base, especially for our Worldfile offering (+9%), plus further strong growth in China (+18%) and Japan (+9%). The annual growth in the division's other key market, Eurofile, was a more modest 1%. This reflected strong comparatives in H1 (due to a change in procedures in FY 2017 at the European Patent Office) which resulted in a 4% decline in sales in H1 2018 compared to H1 2017. However, H2 was much stronger with a 7% increase compared to H2 2017 and in total the division grew H2 sales by 9%.

During the year, the division achieved several new client wins, including a notable piece of business that resulted from cross-selling, which has recently started to generate revenue. This, combined with

the record numbers of new patent applications in 2017 (see Market Update above), provides firm grounds for confidence in the outlook for FY 2019.

China continues to be our long-term strategic revenue growth market and the region continues to attract North American and European patent filers seeking patent protection there. This in turn has driven our headcount in China to 103 employees (2017: 87), including further investment in the sales team who are successfully developing business with both local companies and patent attorneys. It is worth noting that following the acquisition of Moravia, the Group now has approximately 300 employees in China.

The division's improved margins resulted in an adjusted operating profit up 15% to £30.9m (2017: £26.9m), driven by revenue growth, a very tight control of overheads and a favourable swing in exchange rates.

#### *RWS Patent Information*

The patent information business accounted for 3% of Group sales during the year and it reported revenues up 26% to £9.7m (2017: £7.7m), which translated to a 7% increase on an underlying<sup>1</sup> basis. This reflected strong growth in both the search business (up 8% due to a good flow of regular work from existing clients) and the high margin PatBase subscription service (up 6%), in addition to a full year's trading from the Article One Partners ("AOP") business acquired on 29 September 2017, which contributed an incremental £1.5m of revenue.

AOP's operations were fully integrated into RWS Patent Information on 1 October 2018, and its underlying technology is now being used as the division's sole client portal, allowing the business to deliver search services in the United States. In addition, through successful cross-selling, it has provided the Patent Translation & Filing division with a major new client. Following its acquisition, AOP's cost base was rationalized in line with our plan and the business exited the year with a profitable run rate.

The division recorded an adjusted operating profit of £3.6m (2017: £4.1m) reflecting 7% growth in search and PatBase profits, offset by an £0.8m loss from AOP, in line with expectations.

#### *RWS Life Sciences*

The Group's Life Sciences division accounted for approximately 17% of the Group's sales in the year at £52.3m (2017: £45.3m).

The results of this division include a full 12 months of sales from LUZ (2017: 8 months). Underlying<sup>1</sup> organic revenue growth for the division was 2%, reflecting a strong performance in the first half of the year driven by growth in revenue with key clients, offset by a more challenging second half with slower trade from some of its core clients, in part driven by lower levels of activity in medical devices whilst

<sup>1</sup> Calculated excluding the acquisitions and at constant currency.

new regulations come into force. We have reviewed the management structure in Life Sciences and invested in sales staff and training, and the business has started the year in line with expectations.

The financial benefits of the integration of the LUZ and CTi businesses were seen in the 2018 margin improvement with adjusted operating profit increasing by 21% to £14.5m (2017: £12.0m).

During the year, the division expanded its operations into the Asia Pacific region to capitalize on the growth in the pharmaceutical market and to better serve its existing client base. This measured investment in staff in Japan and China will continue in FY 2019.

### *Moravia*

Moravia was acquired on 3 November 2017 and operates as a standalone division. In the 11 months to 30 September 2018, Moravia achieved revenue of £126.9m (11 months 2017: £111.5m<sup>1</sup>) and adjusted operating profit of £17.0m (11 months 2017: £15.2m<sup>1</sup>).

As reported in the Group's first half results, the business experienced a difficult first five months of trading with foreign exchange headwinds, lower sales from a major client, higher than expected overheads and a lower than expected volume of activity from new business wins. However, the division achieved a much improved second half performance due to good sales growth with many of its top clients, a targeted reduction in the cost base, tighter control of overheads and an improved USD:GBP exchange rate environment. The adjusted operating profit in the five months to 31 March 2018 was £4.7m (2017: £4.3m<sup>1</sup>), improving markedly to £12.3m (2017: £11.8m<sup>1</sup>) in the six months to 30 September 2018.

In addition, the reorganization of the division's management team has improved focus, communication and efficiency. The business has also been pivotal in cross-sell wins across the Group and these gains should accelerate as the divisional sales teams receive further training.

The outlook for the division for FY 2019 is positive, following several new client wins during the year which will gradually build revenue through FY 2019.

On 1 October 2018 the division was rebranded RWS Moravia.

<sup>1</sup> FY 2017 figures are pre-acquisition and have been converted from USD to GBP at the average FY 2018 rate. These figures exclude FX on the pre-acquisition bank debt, bank interest and hedging gains.

### *RWS Language Solutions*

The RWS Language Solutions division accounted for 5% of Group sales, with a 13% increase in revenues to £14.9m (2017: £13.2m), reflecting growth with existing clients and the addition of several new clients. We were particularly pleased to have won the work for a multinational pharmaceuticals company across both our UK and German operations, in addition to our success in growing our work across the renewable energy, automotive and legal sectors. Language Solutions remains the division

most exposed to competition and therefore focuses on clients requiring technical translations, where the required quality and translation expertise is higher.

On 1 October 2017, the division was restructured, rebranded and a new management team put in place. This change helped improve performance and margins with adjusted operating profit having increased by 23% to £1.6m (2017: £1.3m). Further improvements are expected over time through production process efficiencies and enhancements to its sales team and processes. We also look forward to seeing the financial benefit of the establishment of a small operation in the United States and further cross-selling opportunities from Moravia.

## **Risk Management**

The Group considers a risk management framework as a vital tool to ensure existing and potential risks to the business are identified and mitigating actions are fully considered. The framework covers the extended business, including the Group's supply chain, from key suppliers to end-customers. The CFO is charged with both identifying the broad market related risks to the Group and collating specific potential risks from the divisional Managing Directors for further assessment via the risk management framework.

Opportunities for the Group are assessed by the CFO in terms of potential financial benefit and return on investment, where appropriate.

The risk management framework categorizes potential risks to the business, first by considering the risk area and the specific identified risk, before applying an impact analysis that ranks the significance of the risk with the probability of the risk occurring to produce a gross risk score. This is then filtered against the mitigating controls before identifying any further action that is required to minimize the potential risk to the business. At the end of this process a net risk is assessed, and a risk owner assigned, along with an expected timetable to complete any identified further action.

The deliverable from this process is an official risk register which is reviewed and assessed on an annual basis by the Board. The Group believes that it has fostered an open and proactive culture to risk management throughout its divisional structure and has recently further strengthened this process through the introduction of a half yearly review of the formal risk register by the senior management team, with any updates approved by both the CFO and the CEO.

Currently, the key risks included within the risk register are as follows: errors in the provision of the Group's services, in a mismatch between currencies (especially between the USD and GBP), in regulatory changes to patent translation requirements in Europe, in the emergence of new translation technologies, and in the failure to successfully integrate acquired businesses into RWS. Additionally, as with any people business delivering high-quality services, the Group depends upon its ability to attract and retain well-trained management and staff. The risk of Brexit on our ability to attract staff from the European Union remains unknown.

These risks are mitigated as follows:

- Failings in service provision could arise as a result of human error. RWS was the first language services provider and the first search company to adopt ISO certification. The Group also has extensive ISO certified processes in its Life Sciences and Moravia divisions and invests in exhaustive and regularly updated procedures to minimize the risk of error, leading to consistently high levels of accuracy. In addition, the Group carries substantial professional indemnity insurance.
- Currency risk is partly mitigated via hedging operations and matching dollar denominated debt to US revenues.
- We have in the past drawn the market's attention to the proposed European Union Patent ("the Unitary Patent" or "UP") and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. It remains unclear whether the UP system will start before the Brexit date of 29 March 2019, with the start date being dependent on ratification of the UP agreement by the German authorities. This ratification is being delayed by a legal appeal to the German courts, claiming the Unitary Patent is unconstitutional under German law. If the agreement is not ratified by the Brexit date, the UK would be outside the UP, further reducing its benefits to RWS's clients. If it is ratified prior to the Brexit date, further discussions would need to take place to agree whether the UK could remain in the UP when it is not part of the European Union. When eventually implemented, the territorial coverage of the proposed Unitary Patent will not be as comprehensive as the current, long-established patent application procedures, and will run in parallel with this system. 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 this new and unproven system and will decide upon their patenting strategies as they observe the Unitary Patent in action, assessing which of the two systems they prefer for their filings. As a result of the above, we do not expect the UP to have any impact on our FY 2019 financial results and a limited impact in subsequent years.
- The Group has always embraced new translation technologies, such as Translation Memory ("TMs"), and used them to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognizing the advances in machine translation technology ("MT"), we continue to monitor, trial its use and introduce MT into the business where it makes commercial sense to do so and where there is significant additional benefit beyond our existing TM. Moravia utilizes a comprehensive range of MT technologies as an integrated part of its services to its technology clients, and its extensive knowledge of these technologies is currently being leveraged across the broader Group. It is clear that the quality of MT will improve over time and as a leader in language services, RWS will continue to differentiate itself by focusing on translation work in critical areas such as intellectual property and life sciences or where the nuances of localization are highly valued by major global brands.



- In recent years, RWS has acquired and successfully integrated several businesses into the Group:
  - In October 2015, RWS acquired Corporate Translations Inc. (CTi) and subsequently integrated RWS's smaller existing life sciences businesses of PharmaQuest and its Medical Translation Division into the newly acquired business. This integration work was successfully completed in September 2016.
  - In February 2017, RWS acquired LUZ, inc, and the integration of this business with the existing life sciences businesses to form the united RWS Life Sciences division was successfully completed in October 2017.
  - In November 2017, RWS acquired Moravia, which included a small life sciences division, with USD\$6m of revenue. The integration of this business into the RWS Life Sciences division was completed in September 2018.

The framework developed for integrating acquired businesses is now well established at RWS and the experience and knowledge gained from the above integrations will be utilized on any future acquisitions.

- RWS has been successful in recruiting high calibre staff to support our growth to date. However, competition for talent in key cities, such as London, is intensifying. In order to continue to grow our global talent base, we strive to offer stability of employment, competitive salaries and an excellent working environment to our colleagues and, where appropriate, to add locations in second cities that provide access to a wider talent pool.

Richard Thompson

Chief Executive Officer  
10 December 2018

RWS Holdings plc, Annual Report 2018  
 Consolidated Statement of Comprehensive Income  
 for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
<b>Revenue</b>	3	<b>306,044</b>	164,040
Cost of sales		<b>(187,211)</b>	(92,269)
<b>Gross profit</b>		<b>118,833</b>	71,771
Administrative expenses		<b>(74,702)</b>	(37,790)
<b>Operating profit</b>		<b>44,131</b>	33,981
Analysed as:			
Operating profit before charging:		<b>66,310</b>	43,405
Amortization of acquired intangibles		<b>(14,591)</b>	(6,574)
Acquisition costs		<b>(7,588)</b>	(2,850)
<b>Operating profit</b>		<b>44,131</b>	33,981
Finance income		<b>69</b>	973
Finance costs		<b>(4,541)</b>	(1,088)
<b>Profit before tax</b>		<b>39,659</b>	33,866
Taxation	4	<b>(11,402)</b>	(9,306)
<b>Profit for the year</b>		<b>28,257</b>	24,560
<b>Other comprehensive income/(expense)<sup>1</sup></b>			
Gain/(loss) on retranslation of foreign operations		<b>3,526</b>	(4,702)
Gain on cash flow hedges		<b>408</b>	-
<b>Total other comprehensive income/(expense)</b>		<b>3,934</b>	(4,702)
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		<b>32,191</b>	19,858
Basic earnings per ordinary share (pence per share)	6	<b>10.4</b>	11.0
Diluted earnings per ordinary share (pence per share)	6	<b>10.4</b>	10.9

<sup>1</sup> Other comprehensive income includes only items that will be subsequently reclassified to profit before tax when specific conditions are met.

RWS Holdings plc, Annual Report 2018  
 Consolidated Statement of Financial Position  
 at 30 September 2018

Registered company 03002645

2018  
£'000

2017  
£'000

**Assets**

<b>Non-current assets</b>		
Goodwill	233,236	101,108
Intangible assets	172,517	48,787
Property, plant and equipment	21,961	18,147
Deferred tax assets	2,081	1,475
	<b>429,795</b>	<b>169,517</b>

**Current assets**

Trade and other receivables	72,656	41,682
Foreign exchange derivatives	1,014	281
Cash and cash equivalents	38,155	20,064
	<b>111,825</b>	<b>62,027</b>
<b>Total assets</b>	<b>541,620</b>	<b>231,544</b>

**Liabilities**

**Current liabilities**

Loan	24,311	8,955
Trade and other payables	48,251	27,689
Income tax payable	4,074	2,748
Provisions	85	82
	<b>76,721</b>	<b>39,474</b>

**Non-current liabilities**

Loan	78,958	31,343
Other payables	-	30
Provisions	645	297
Deferred tax liabilities	30,017	1,515
	<b>109,620</b>	<b>33,185</b>
<b>Total liabilities</b>	<b>186,341</b>	<b>72,659</b>
<b>Total net assets</b>	<b>355,279</b>	<b>158,885</b>

**Equity**

**Capital and reserves attributable to owners of the parent**

Share capital	2,735	2,293
Share premium	51,549	50,718
Share based payment reserve	384	526
Reverse acquisition reserve	(8,483)	(8,483)
Foreign currency reserve	8,941	5,415
Hedge reserve	408	-
Retained earnings	299,745	108,416
<b>Total equity</b>	<b>355,279</b>	<b>158,885</b>



RWS Holdings plc, Annual Report 2018  
 Consolidated Statement of Changes in Equity  
 for the year ended 30 September 2018

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total attributable to owners of Parent £'000
At 1 October 2016	2,157	8,947	2,509	95,087	108,700
Profit for the year	-	-	-	24,560	24,560
Currency translation differences	-	-	(4,702)	-	(4,702)
Total comprehensive income for the year	-	-	(4,702)	24,560	19,858
Issues of shares	136	41,771	-	-	41,907
Deferred tax on unexercised share options	-	-	-	394	394
Income tax on unexercised share options	-	-	-	598	598
Dividends	-	-	-	(12,572)	(12,572)
Exercise of share options	-	-	(349)	349	-
At 30 September 2017	2,293	50,718	(2,542)	108,416	158,885
Profit for the year	-	-	-	28,257	28,257
Gain on cash flow hedges	-	-	408	-	408
Currency translation differences	-	-	3,526	-	3,526
Total comprehensive income for the year	-	-	3,934	28,257	32,191
Issue of shares	442	831	-	184,565	185,838
Share issue costs	-	-	-	(3,631)	(3,631)
Deferred tax on unexercised share options	-	-	-	150	150
Income tax on unexercised share options	-	-	-	153	153
Dividends	-	-	-	(18,307)	(18,307)
Exercise of share options	-	-	(142)	142	-
<b>At 30 September 2018</b>	<b>2,735</b>	<b>51,549</b>	<b>1,250</b>	<b>299,745</b>	<b>355,279</b>
<b>Other reserves</b>	Share based payment reserve £'000	Reverse acquisition reserve £'000	Hedge reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2016	875	(8,483)	-	10,117	2,509
Other comprehensive loss for the year	-	-	-	(4,702)	(4,702)
Exercise of share options	(349)	-	-	-	(349)
At 30 September 2017	526	(8,483)	-	5,415	(2,542)
Other comprehensive income for the year	-	-	408	3,526	3,934
Exercise of share options	(142)	-	-	-	(142)
<b>At 30 September 2018</b>	<b>384</b>	<b>(8,483)</b>	<b>408</b>	<b>8,941</b>	<b>1,250</b>

RWS Holdings plc, Annual Report 2018  
 Consolidated Statement of Cash Flows  
 for the year ended 30 September 2018

	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	39,659	33,866
Adjustments for:		
Depreciation of property, plant and equipment	2,786	1,171
Amortization of intangible assets	16,617	6,709
Finance income	(69)	(973)
Finance expense	4,541	1,088
<b>Operating cash flow before movements in working capital and provisions</b>	<b>63,534</b>	<b>41,861</b>
Increase in trade and other receivables	(6,488)	(8,019)
(Decrease)/Increase in trade and other payables and provisions	(570)	4,244
<b>Cash generated from operations</b>	<b>56,476</b>	<b>38,086</b>
Income tax paid	(12,848)	(9,687)
<b>Net cash inflow from operating activities</b>	<b>43,628</b>	<b>28,399</b>
<b>Cash flows from investing activities</b>		
Interest paid	(3,521)	(1,009)
Interest received	69	11
Acquisition of subsidiary, net of cash acquired	(242,311)	(74,834)
Purchases of property, plant and equipment	(1,872)	(1,495)
Purchases of intangibles (computer software)	(3,320)	(728)
<b>Net cash outflow from investing activities</b>	<b>(250,955)</b>	<b>(78,055)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	118,591	21,000
Repayment of borrowing	(58,140)	(8,159)
Proceeds from the issue of share capital	182,207	41,907
Dividends paid	(18,307)	(12,572)
<b>Net cash inflow from financing activities</b>	<b>224,351</b>	<b>42,176</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,024</b>	<b>(7,480)</b>
Cash and cash equivalents at beginning of the year	20,064	27,910
Exchange gains/(losses) on cash and cash equivalents	1,067	(366)
<b>Cash and cash equivalents at end of the year</b>	<b>38,155</b>	<b>20,064</b>
<b>Free cash flow</b>		
Analysis of free cash flow		
Net cash generated from operations	56,476	38,086
Net interest paid	(3,452)	(998)
Income tax paid	(12,848)	(9,687)
Purchases of property, plant and equipment	(1,872)	(1,495)
Purchases of intangibles (computer software)	(3,320)	(728)
<b>Free cash flow</b>	<b>34,984</b>	<b>25,178</b>

The Directors consider that the free cash flow analysis above indicates the cash generated from normal activities excluding acquisitions, dividends paid and the proceeds from the issue of share capital.

1. General information

RWS Holdings plc is a company incorporated in the United Kingdom. The address of the registered office is Europa House, Chiltern Park, Chiltern Hill, Chalfont St Peter, Buckinghamshire, SL9 9FG.

The Group's financial statements for the year ended 30 September 2018, from which this financial information has been extracted, and for the comparative year ended 30 September 2017, are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the EU.

The financial information shown in the announcement for the year ended 30 September 2018 and the year ended 30 September 2017 set out above does not constitute statutory accounts but is derived from those accounts. The results have been prepared using accounting policies consistent with those used in the preparation of the statutory accounts. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2017 have been delivered to the Registrar of Companies and those for the year ended 30 September 2018 will be delivered shortly, having been approved by the Directors on 10 December 2018. The auditors have reported on the accounts for the years ended 30 September 2017 and 30 September 2018, their reports were unqualified, did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

Copies of this announcement are available at the registered office of the Company for a period of 14 days from the date hereof.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements have been consistently applied to both years presented and the financial statements for the year ended 30 September 2017.

While the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRS adopted for use in the EU.

The Group expects to publish full financial statements that comply with IFRS adopted for use in the EU on 23 January 2019.

### 3. Segment information

The Group's operations are based in the UK, Continental Europe, Asia, the United States, Argentina and Australia. The table below shows turnover by the geographic market in which clients are located.

Turnover by client location	2018 £'000	2017 £'000
UK	<b>24,298</b>	19,924
Continental Europe	<b>101,708</b>	75,428
United States	<b>163,941</b>	52,950
Rest of the world	<b>16,097</b>	15,738
	<b>306,044</b>	164,040

### 4. Taxation

	2018 £'000	2017 £'000
Taxation recognized in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	<b>6,641</b>	5,825
- Overseas	<b>6,275</b>	2,708
Adjustments in respect of prior years	<b>(261)</b>	(208)
	<b>12,655</b>	8,325
Deferred tax		
Current year movement	<b>(1,464)</b>	721
Adjustments in respect of prior years	<b>211</b>	260
Total tax expense for the year	<b>11,402</b>	9,306

## 5. Dividends to shareholders

	2018 pence per share	2018 £'000	2017 pence per share	2017 £'000
Final, paid 23 February 2018 (2017: paid 24 February 2017)	<b>5.20</b>	<b>14,209</b>	4.45	9,602
Interim, paid 20 July 2018 (2017: paid 21 July 2017)	<b>1.50</b>	<b>4,098</b>	1.30	2,970
	<b>6.70</b>	<b>18,307</b>	5.75	12,572

The Directors recommend a final dividend in respect of the financial year ended 30 September 2018 of 6.00 pence per ordinary share to be paid on 22 February 2019 to shareholders who are on the register at 25 January 2019. This dividend is not reflected in these financial statements as it does not represent a liability at 30 September 2018. The final proposed dividend will reduce shareholders' funds by an estimated £16.4m.

## 6. Earnings per ordinary share

Basic earnings per share is calculated using the Group's profit after tax and the weighted average number of ordinary shares in issue during the year, as follows:

	2018	2017
Weighted average number of ordinary shares in issue for basic earnings	<b>271,216,566</b>	223,735,513
Dilutive impact of share options	<b>1,265,706</b>	1,539,927
Weighted average number of ordinary shares for diluted earnings	<b>272,482,272</b>	225,275,440

Adjusted earnings per ordinary share is also presented to eliminate the effects of acquired intangibles, share option costs and acquisition costs. This presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the Group. The reconciliation between the basic and adjusted figures is as follows:

	2018 £'000	2017 £'000	2018 Basic earnings per share pence	2017 Basic earnings per share pence	2018 Diluted earnings per share pence	2017 Diluted earnings per share pence
Profit for the year	28,257	24,560	10.4	11.0	10.4	10.9
Adjustments:						
Amortization of acquired intangibles	14,591	6,574	5.4	2.9	5.3	2.9
Acquisition costs	7,588	2,850	2.8	1.3	2.8	1.3
Tax effect of adjustments	(3,285)	(1,972)	(1.2)	(0.9)	(1.2)	(0.9)
Adjusted earnings	47,151	32,012	17.4	14.3	17.3	14.2