12 September 2023

Keywords Studios plc ("Keywords Studios", “Keywords”, the “Group”)

Half Year Results for the period to 30 June 2023

Good H1 trading performance, in line with guidance and growing ahead of the market

Keywords Studios, the international provider of creative and technology-enabled solutions to the global video games and entertainment industries, is pleased to announce its unaudited half-year results for the six months to 30 June 2023.

Financial Overview:

Results for the six-months ended 30 June		H1 2023	H1 2022	Change
Group revenue		**€ 383.5m**	**€ 321.1m**	**+ 19.4%**
Organic revenue growth	1			**+ 10.4%**
Adjusted EBITDA	2	**€ 77.3m**	**€ 70.1m**	**+ 10.3%**
Adjusted EBITDA margin		20.1%	21.8%	
EBITDA	2	€ 60.5m	€ 61.0m	(0.8)%
Adjusted operating profit	3	**€ 58.9m**	**€ 56.0m**	**+ 5.2%**
Adjusted operating profit margin		15.4%	17.5%	
Operating profit		€ 29.3m	€ 39.5m	(25.8)%
Adjusted earnings per share	4	**55.60c**	**55.89c**	(0.5)%
Earnings per share		18.48c	36.80c	(39.8)%
Interim dividend per share		**0.85p**	**0.77p**	
Adjusted cash conversion rate	5	**33.2%**	**57.9%**	
Net cash / (net debt)		**€ (11.4)m**	**€ 121.3m**	

Finance and Operating Highlights:

Good trading performance reflecting the benefits of diversification across full game development cycle

- Group revenue up 19.4% to €383.5m (H1 2022: €321.1m), driven by robust organic growth and supplemented by acquisitions
- Organic revenue growth of 10.4%, driven primarily by strong growth in Create
- Adjusted operating profit margin of 15.4%, in-line with guidance and H2 22 (H1 22: 17.5%), with adjusted operating profit rising 5.2% to €58.9m
- Adjusted free cash flow[6] of €18.5m (H1 2022: €31.7m) due to timing of working capital
- Adjusted cash conversion full year expectations unchanged at ~80%, H1 rate of 33.2% (H1 2022: 57.9%), would have been ~16% pts higher but £7.5m of VGTR payments were delayed into Q3
- Net debt of €11.4m (FY 2022: net cash of €81.8m) reflecting acquisition activity and EBT share buybacks
- Interim dividend of 0.85p per share, an increase of 10% on the 2022 interim dividend (H1 2022: 0.77p)

Strategic Highlights:

Delivering against strategy and investing in technology offering

- Strategic partner relationships increasingly opening long-term opportunities for collaboration
- Increasing traction with AAA clients with our AI-led product families across Globalize and Engage
- Expansion of Keywords Labs into an AI Centre of Excellence, with key hires made
- Good progress in adjacent markets; strong growth in our LiveOps studio, launched a dedicated studio for in-game cinematics and virtual production, with acquisition of DMM extending entertainment offering

- Executing on our acquisition strategy, delivering four high-quality acquisitions for a total maximum consideration of ~€130m year to date
- RCF increased to $400m, with maturity extended to 2027, providing long-term liquidity and flexibility to pursue M&A opportunities in the pipeline
- Positive recognition of ESG practices, with rating increased to AA at MSCI

Current trading and outlook

- Continue to grow faster than the market, with organic growth supplemented by acquisitions
- Monitoring US entertainment strikes, which have begun to impact performance in early H2, with potential to impact organic growth by around 2-2.5% for the full year
- Expecting full year underlying organic growth (excluding the strike impact) to be broadly similar to the first half, with H2 growth weighted to the fourth quarter; mindful of continuing currency volatility
- Adjusted operating margins expected to remain above 15% for the full year, with cost control measures largely mitigating the impact of the strikes
- Remain confident in the long-term growth trajectory of the business

Bertrand Bodson, Chief Executive Officer of Keywords Studios, commented:

"Keywords delivered good H1 growth despite the current industry backdrop, benefitting from our focus on strategic partnerships and our unique provision of solutions across the full game development cycle. We have continued to broaden our offering through high-quality targeted acquisitions and are excited about the pipeline ahead. We are on track to deliver underlying organic growth (excluding the unfortunate impact of the US entertainment strikes) and operating margins in line with our guidance for the year.

We are uniquely placed to capture the opportunities that technology advancement creates over time as it constantly increases the bounds of possibility, leading to a proliferation of ever improving content as our clients seek to engage the three billion gamers globally. We are excited about the opportunities that lie ahead and are building for the future whilst we continue to grow market share and deliver against our plans for 2023 and beyond."

Presentation and Webcast

A presentation of the full results will be made to analysts and investors at 9.00am this morning and the live webcast can be accessed via this link: https://brrmedia.news/KWS_HY23

To register for dial in access, or for any enquiries, please contact MHP Group on keywords@mhpgroup.com.

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About Keywords Studios (www.keywordsstudios.com)

Keywords Studios is an international provider of creative and technology-enabled solutions to the global video games and entertainment industries. Established in 1998, and now with over 70 facilities in 26 countries strategically located in Asia, Australia, the Americas, and Europe, it provides services across the entire content development life cycle through its Create, Globalize and Engage service lines to a large blue-chip client base across the globe.

Keywords Studios has a strong market position, providing services to 24 of the top 25 most prominent games companies. Across the games and entertainment industry, clients include Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Epic Games, Konami, Microsoft, Netflix, Riot Games, Square Enix, Supercell, TakeTwo, Tencent and Ubisoft. Recent titles worked on include Starfield, Diablo IV, Hogwarts Legacy, Elden Ring, Fortnite, Valorant, League of Legends, Clash Royale and Doom Eternal. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

The Group reports a number of alternative performance measures (APMs) to present the financial performance of the business which are not GAAP measures as defined by International Financial Reporting Standards (IFRS). The Directors believe these measures provide valuable additional information for the users of the financial information to understand the underlying trading performance of the business. In particular, adjusted profit measures are used to provide the users of the financial statements a clear understanding of the underlying profitability of the business over time. For full definitions and explanations of these measures and a reconciliation to the most directly referenceable IFRS line item, please refer to the APMs section at end of the statement.

[1] *Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2022 foreign exchange rates to both years, when translating studio results into the euro reporting currency.*

[2] *EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation of intangible assets, depreciation and impairment, and deducting bank charges. Adjusted EBITDA comprises EBITDA, adjusted for share-based payments expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of other income is also excluded.*

[3] *Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, and amortisation of intangible assets. In order to present the measure consistently year-on-year, the impact of other income is also excluded.*

[4] *The Adjusted earnings per share comprises the Adjusted profit after tax divided by the non-diluted weighted average number of shares as reported. The Adjusted profit after tax comprises the Adjusted profit before tax, less the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax.*

[5] *The Adjusted cash conversion rate is the Adjusted free cash flow as a percentage of the Adjusted profit before tax.*

[6] *Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (as measured by capital expenditure in excess of maintenance capital expenditure).*

CEO Statement

Performance

The business performed well over the first half of the year delivering revenues of €383.5m, representing growth of 19.4%. Organic revenue growth of 10.4% was in line with guidance and reflected the current market backdrop, with the industry in a reset year, having experienced exceptional growth over the past few years. We have continued to grow market share in the first half, with our overall growth being faster than the expected mid-single digit growth in the external service provision market this year (Source: IDG Consulting).

Operating margins, as expected, were in line with the second half of 2022 at 15.4%, which meant that the business delivered adjusted operating profit of €58.9m (operating profit was €29.3m). This was 5% higher than H1 2022, despite the higher margin experienced in the comparative period, as we continued to invest in the business and pre-COVID-19 costs fully returned.

Last year we consolidated our business in a simplified structure of three service lines. The performance of each segment, which will be discussed in more detail later in this report, reflected the varied conditions in the market. We saw strong demand in Create, and more moderate demand in our Globalize and Engage service lines, but we remain confident in the long-term opportunity across all of our service offerings.

We continued to invest in growing the platform through M&A, supported by our strong balance sheet and recently expanded revolving credit facility. In H1 we spent approximately €92m on four high-quality acquisitions (net of cash acquired), representing the total of the cash component of both the current and previous years' transactions. As a result we moved from a net cash position of €82m at December 2022 to a net debt position of €11m. Cash generation is generally H2 weighted, and due to our investment in the business, and timing of working capital, we delivered H1 adjusted free cash flow of €18.5m. We remain on track to deliver full year adjusted cash conversion of ~80%.

Market opportunity

After a number of extremely strong years of growth, 2023 is proving to be a year where the video gaming industry pauses for breath. Whilst major titles such as Hogwarts Legacy, Diablo IV and Baldur's Gate 3, have delivered record performance (Keywords worked on all three), and overall player numbers continue to rise, the broader industry is currently seeing publishers reducing the number of game launches and focusing on core IPs. They have also looked to de-risk their return on investment, which has led to smaller scopes for some titles and delays or cancellations of others.

Beyond 2023, we are increasingly optimistic about the market back-drop. The mobile market, which has been through a difficult period, appears to be close to returning to growth after 6 consecutive quarters of declines. Hardware challenges have also eased, with the PS5 now readily available. Industry forecasts point to continuing long-term growth in the video-gaming space, with growth in the external service provision market still expected to outstrip overall industry growth.

As the key player in this market, at more than 3x the size of the next largest competitor, yet with just a 6% share, we believe we are incredibly well placed to grow our market share into the significant white space in the industry. To do so, we are driving strategic partnerships with the key market players, and investing in leading technology solutions to better serve our customers and enhance our economic and technology moat against competitors.

Delivering against strategy

Against that market backdrop, we have a very clear strategy from which to scale our industry leading platform, by Imagining More across our strategic pillars: strategic partnerships, technology, One Keywords, talent development and adjacent markets. The ultimate goal is to become a true partner to our clients and to create a platform providing holistic solutions to enable them to make the best games and entertainment.

We are making good progress against all aspects of the strategy. We have continued to get closer to our largest clients as we seek to evolve our relationships to more strategic partnerships. This is giving us the opportunity to support our clients on larger, long-term projects and we have recently completed several substantial long-term agreements to provide functional testing and game development services. This is a continuous process, but is increasingly important and will differentiate us in the market, as we look to help our clients to navigate the evolving technological landscape and create bigger and better games. We have increased our focus on technology, scaling our AI product portfolio, whilst driving automation across service lines and launched our "Accelerating Accessibility" initiative out of our innovation team, harnessing the work of five studios.

We launched and embedded our new Leadership Principles across the organisation, a critical element of our One Keywords initiative and during the period Sperasoft completed its transition into four new operating hubs in Eastern Europe, with production in Russia ceasing. This has been a major One Keywords undertaking, with a multi-disciplinary team from across the organisation working together to make this a success. We are now excited to see Sperasoft 2.0 ready to move back into a growth phase from its four new hubs.

We continued to broaden our talent acquisition and development programmes, as well as continuing to enhance our employee engagement. In addition, we have continued to bring senior talent into the organisation, with Rob Kingston joining the Group as CFO in July, with Jon Hauck moving across to the COO role to support the long-term growth of the business. In August, we hired Stephen Peacock as Head of Gaming AI, to spearhead our AI Centre of Excellence and expect further hires to follow in due course.

Our progress in adjacent markets has also been very encouraging, with Lively, our dedicated LiveOps studio, experiencing strong growth and demand from a wide variety of clients, and at the end of the period we launched Big Farmer, a dedicated studio focused on in-game cinematics and virtual production to capitalise on the broader opportunities that our mastery of game engines will provide. We have also extended our media and entertainment offering in the US, through the acquisition of Digital Media Management, who work with some of the world's biggest franchises, including the recent Barbie movie, to enhance their reach online and in social media. With the convergence of gaming and film and television, we see meaningful opportunities ahead for us.

Focus on Technology

Technology and innovation is a key part of our strategy and a big opportunity for future growth. We have had a focus on responsibly harnessing AI and other technologies for a number of years and it is part and parcel of what our 4,000 dedicated engineers and technical experts in Create do every day. The teams have a strong track record of unlocking and deploying multiple generations of new technologies and supporting the industry's "race to the top" to create the most immersive experience for players.

Through a combination of M&A and internal development, the business has also been building a portfolio of AI-led product families that meet critical post-production client needs whilst complementing our existing service offerings. These offerings, which span across the key Globalize and Engage offerings, such as functional testing, localization, localization testing and player support, are designed so that we can do more, faster, whilst enhancing the quality of service for clients.

There are a number of workstreams underway across each of these domains. In Localization, at the beginning of the year, we formed our Localization Research Labs team to accelerate this work. This team has a broad mandate of ensuring that we are developing and delivering leading production offerings to clients, whilst pursuing internal automation opportunities within text and audio localization and localization QA. The team now has over 60 product engineers and in the last 6 months has developed and enhanced a range of AI-led tools that will be marketed under the "Kantan" brand. KantanStream, a text localization workflow automation tool, currently in use to complete over 3,000 projects a week, is gaining traction with AAA clients and continues to be developed to support their differing needs. The move to this innovative way of working will continue in H2 and beyond. KantanAudiomate, which manages and stores audio digital assets, whilst automating and enhancing audio workflows, is currently being piloted by a further AAA client, and in H2 will integrate an innovative internally developed AI-tool that has the potential to reduce QA/QC requirements on audio files significantly.

We have also made great strides in developing the Mighty Build and Test platform ("Mighty") in the 12 months we have owned the business. A small Australian based business, Mighty has a 10 year track record in the automated testing and development of mobile games space. On acquisition, they had four developers in Australia, operating solely on the Unity game engine, with a number of small mobile clients. In the past 12 months, we have grown the team to 40 people across 5 countries, developed the platform to be able to work on Unreal Engine as well as any custom engine, and started to take on larger AAA mandates. Clients are increasingly seeing the benefits that automated testing, earlier in the development cycle can bring to the quality of the game, whilst still utilising human testers to test other elements of games.

We are increasingly seeing our solutions becoming interconnected. An example of this is one of Mighty's automated testing solutions, the Proofbot, which provides a localization testing solution, now being integrated with XLOC, our proprietary localization content management system. Together they provide a visual overview of all of the localized content in a game, and enhance the testing of that content. A further example is of the integration of KantanMT with the Helpshift platform in player engagement, enabling more languages to be supported through the platform, and for mono-lingual customer support agents to be able to support multiple languages. This holistic solution enabled us to reduce our cost to serve a major mobile client by increasing efficiency, whilst maintaining excellent customer satisfaction scores. Our scale and ability to invest means that we have a leading position from which to create joined up solutions like this.

As we move forward we will continue to build out an industry leading technology platform to enable us to take on more work and better serve our clients. This will be both under the existing product umbrellas of Kantan, Mighty and Helpshift, and by looking for new ways to support our customers, whether by owning, partnering or licensing the technology and tools that are best suited to the tasks that our clients need us for. In order to do this as effectively as possible, we are creating an AI Centre of Excellence, that will sit within our innovation team, led by Jamie Campbell. This team will draw on both internal and external expertise to assess and develop AI tools across the game development landscape, providing a conduit for knowledge sharing across the organisation and supporting customers in building their AI strategies. To support this initiative, we are delighted to have made the key hire of Stephen Peacock as Head of Gaming AI, previously at Amazon as Head of ML/AI of AWS Gaming, who brings unparalleled knowledge across the gaming value chain from an integral player in the industry.

M&A

Complementing our strategy, we continue to add significant value by consolidating a fragmented market in our four M&A focus areas: game development, marketing, technology and adjacent markets. During the first half, the Group completed four high-quality acquisitions, for total maximum consideration, including performance related contingent deferred consideration, of ~€130m.

In line with our focus areas, two acquisitions broadened our Engage offering in the US, the largest global market for gaming, 47 Communications and Digital Media Management (DMM), with both enhancing our media and entertainment offering, and DMM bringing market leading social media capabilities and an innovative Creator-focused technology platform. In game development we acquired Hardsuit Labs, a 70-person studio focused on AAA games and specialising in the Unreal engine. In addition, we expanded our Climax game development studio through the acquisition of Playboss Interactive in the UK, providing Climax with a second location to grow from.

Responsible Business

Our responsible business agenda is centred around five key areas; our people, planet, community and our clients, underpinned by our commitment to good governance and ethics. We have made solid progress against our main priorities in the first half, with a range of initiatives designed to enhance culture, employee engagement and diversity and inclusion. These included our third Women's Summit held in Asia, growth of the ambassador programme with Women in Games, and a range of Keywords diversity and inclusion trainings. Aligned to this, we continued to roll-out our Leadership Principles, which are designed to support the One Keywords culture across the group and stepped up employee engagement ranging from group wide townhalls to small bespoke sessions with the CEO. In May, we celebrated 25 years of Keywords by planting 25,000 trees across the world and have continued to win a range of Best Company to work for awards in a number of locations. Our progress against our priorities has been increasingly recognised by third party rating agencies, with MSCI now rating the business AA, the joint highest rating in our category.

US Entertainment Strikes

In the US, there are currently a number of entertainment union strikes, that have begun to have an impact on our performance in certain parts of the business. These strikes started as a SAG-AFTRA writers' strike in May, which had limited direct impact on our business. In July, the strikes expanded to include SAG-AFTRA actors, and stopped work which was already underway. This has a more direct impact on our media and entertainment focused audio businesses and our US marketing studios, who due to the increasing cross-over between video gaming and TV/film work with a range of entertainment houses. A third segment of the entertainment industry, the SAG-AFTRA Interactive Media performers, focused on video games, are currently balloting for strike action. If successful, strike action could commence at the end of September, although would have limited direct impact for this year as the majority of our audio localization work is done outside of Hollywood. At this stage it is not clear when the strikes will be resolved, but for planning purposes, we assume that they will lead to disruption until the end of the year.

Outlook

Despite the current challenging industry backdrop and macroeconomic conditions, the Group is trading robustly and growing faster than the market, reflecting our position as a diversified enabler of the industry, providing services and solutions across the content generation cycle rather than being exposed to the IP of individual games.

Over the medium-term we remain uniquely placed to capture the opportunities in our markets, due to our scale and provision of diversified solutions for the major developers and publishers of the highest quality franchises. We are gaining traction with cementing strategic partnerships with our clients, harnessing and broadening our AI-led product suite, and expanding our activities in adjacent markets. We have also extended our offering through high-quality targeted acquisitions and continue to have a busy pipeline, with our recently expanded RCF providing enhanced flexibility to execute our M&A strategy.

We are excited about the opportunities ahead, as new technologies lead to a proliferation of ever improving content as our clients seek to engage the three billion gamers globally. We expect to continue to grow our market share whilst investing to harness the symbiosis of cutting-edge technology and human creativity to lead the content creation industries in the future and create significant value for shareholders."

Bertrand Bodson

Chief Executive Officer

Service Line Review

Create

Create combines Art Services and Game Development to deliver a range of services to clients and partners globally. It represents over 4,000 people across 4 continents.

	H1 2023	H1 2022*	Change
Revenue €m	**162.9**	124.3	**31.1%**
Organic Revenue growth %	**22.1%**	23.3%	**(1.2%)**
Adjusted EBITDA €m	**41.7**	32.4	**28.7%**
Adjusted EBITDA margin %	**25.6%**	26.1%	**(0.5%)**

**H1 2022 restated to reflect updated FY 2022 allocation of costs, please see note 4 for more information*

H1 2023 Performance

Create performed strongly during the first half, with total revenues up by 31.1% to €162.9m (H1 2022: €124.3m) and Organic Revenue, which excludes the impact of acquisitions, growing by 22.1%, as we continued to see strong demand for our high-end services.

The performance was driven by growth in a number of regions, with the UK and Australia seeing excellent growth, as increased headcount enabled our studios to take on more work. In Australia, we have seen the business grow from zero to over 200 game developers in recent years through both acquisitions and organic growth. Our Art studios also performed strongly across the period, as the high-end art that we provide across both our concept art and asset production businesses remained in demand.

Whilst there have been industry lay-offs over the past six months, high-quality talent continues to be a scarce resource. Our recently formed talent acquisition team, in tandem with studio-led efforts, and our academy initiatives, have driven the continued expansion of our team across our various geographies, enabling us to better support clients and our future growth.

During the period Sperasoft completed its transition into four new operating hubs in Eastern Europe. This was a major undertaking, and we are delighted that we were able to complete this with limited disruption to our clients. The business is now well positioned for future growth, and we are taking advantage of the access to high quality talent in the new regions and began to take on new work during the half.

Adjusted EBITDA in Create grew 28.7% to €41.7m in H1 2023 (H1 2022: €32.4m), with the Adjusted EBITDA margin of 25.6% in H1 2023 slightly lower than the previous period (H1 2022: 26.1%) due to the increased footprint outside of Russia, partially offset by the increased weighting of game development in the service line following the acquisitions in 2022.

We welcomed two new Game Development studios this year, Hardsuit Labs, in Seattle, and Playboss Interactive in Liverpool. Hardsuit has deep expertise in Unreal Engine, delivering full-stack development services, and multi-SKU, cross-platform execution to AAA clients such as Activision and Epic and is our first game development studio in Seattle. Playboss is a small UK studio that has worked closely with Climax, one of our largest UK studios, for a number of years. The acquisition allows Climax to expand to a second UK location in a vibrant, city centre game development hub and to continue its growth trajectory.

Outlook

Our Create service line remains extremely well positioned to capitalise on the strong demand for its high-end services. The industry continues to be capacity constrained and our geographic spread and ability to grow capacity means we are able to serve our clients as they look for support on more and more complex projects.

We believe Generative AI will be used as another tool to enable the production of more and higher quality content over time, although copyright and quality concerns are currently a barrier to adoption for AAA publishers. The scale and depth of our engineering and technical expertise in Create means we are uniquely well placed to harness this when clients are ready. Together with other technology advancements these tools will be able to augment the creativity of our clients and teams, and enable the delivery of ever more content.

Globalize

Globalize brings together our Audio, Testing and Localization businesses to create a global business with around 5,500 people across 5 continents.

	H1 2023	H1 2022*	Change
Revenue €m	**145.7**	141.5	**3.0%**
Organic Revenue growth %	**4.7%**	25.7%	**(21.0%)**
Adjusted EBITDA €m	**27.7**	29.6	**(6.4%)**
Adjusted EBITDA margin %	**19.0%**	20.9%	**(1.9%)**

**H1 2022 restated to reflect updated FY 2022 allocation of costs, please see note 4 for more information*

H1 2023 Performance

Globalize performed robustly in H1 2023 with total revenues up by 3.0% to €145.7m (H1 22: €141.5m). Organic Revenue, which excludes the impact of acquisitions, grew by 4.7%, outperforming the market, which is forecast to decline this year (Source: IDG).

The current industry backdrop, where there have been a number of project cancellations and delays, has impacted the performance of Globalize as the service line works across a large number of clients and titles given its strong position in the market. Functional testing continued to deliver robust results, with growth in lower cost locations such as Poland and with our operations in Mexico beginning to scale up. Localization and Localization QA had a tougher period, with clients looking to reduce costs by only focusing on key languages where the best returns could be generated. Audio delivered a solid performance given the current game release cycle, but this compared negatively to an exceptional H1 2022 performance. We saw limited impact in the first half from the entertainment industry strikes in the US, but they have begun to impact our H2 performance in our media and entertainment audio business.

We continue to build for the future and during the period have expanded our technology offering within Globalize. Mighty Games' "Build and Test" solutions can operate across both FQA and LQA and we are seeing positive traction with clients looking to pilot the technology in order to automate certain elements of the testing process. We have also made excellent progress through our Localization Research Labs initiative, to build on the initial success of KantanStream's automated localization solution with a large industry player. We are in the process of transitioning a number of existing text localization clients to KantanStream, which will enable us to offer a more streamlined service, with faster turnaround times, and take on more work, as well as building out other audio localization solutions under the Kantan brand that are already being utilized by large clients.

Adjusted EBITDA of €27.7m was 6.4% lower than H1 2022 (€29.6m), with Adjusted EBITDA margins of 19.0% slightly lower than H1 2022 (20.9%). Margins were expected to normalise following exceptional demand in 2022, and were impacted by the lower utilization of resources compared to the prior year, as we maintained our capacity to be ready to take advantage of future improvements in market conditions, and with pricing currently more of a focus for clients.

Outlook

Globalize's position within the industry means that it is well placed to benefit when the content cycle turns, and as publishers increasingly move from fixed to variable costs for their testing operations. We continue to look to optimise costs and collaborate across the service lines to offer the best service to customers. As we continue to build out our technology offering to augment the service we offer, we are increasingly differentiated in the market.

Engage

Our Engage service line brings together our Marketing Services and Player Engagement businesses to create a holistic offering focused on player engagement, encompassing around 2,500 people across 3 continents.

	H1 2023	H1 2022*	Change
Revenue €m	**74.9**	55.3	35.4%
Organic Revenue growth %	**-**	9.8%	(9.8%)
Adjusted EBITDA €m	**7.9**	8.1	(2.5%)
Adjusted EBITDA margin %	**10.5%**	14.6%	(4.1%)

**H1 2022 restated to reflect updated FY 2022 allocation of costs, please see note 4 for more information*

H1 2023 Performance

Engage saw good overall growth during the year, with revenues up by 35.4% to €74.9m (H1 22: €55.3m) driven by a number of acquisitions as we built out the capabilities of the service line. Organic Revenue, which excludes the impact of acquisitions, was flat year on year.

Player Engagement is primarily focused on supporting player communities of mobile titles and saw a contraction in demand as the broader mobile market continued to experience a reduction in player spend. This meant that certain clients reduced the scale of the teams working on their games to reflect the reduced activity. New business wins through the year mitigated a portion of the reduced demand, and we have continued to see positive traction for our Helpshift solution, which we acquired in late 2022. Helpshift, uses intelligent bots integrated in mobile apps and consoles to automate ~30% of support tickets in real-time, while giving a highly personalised experience and together with our player engagement teams, and our KantanMT solution, provides a unique holistic offering for clients.

In Marketing we experienced a tougher period, as the macro-economic environment meant that publishers looked to reduce activity, and we saw a number of late notice delays of projects from the first half into the second half. During the period, we saw increased collaboration across the studios following the creation of a London marketing hub, where we brought all of our studios into one office, and are following the same model in Los Angeles where we now have three major studios offering differentiated services.

We were delighted to bring two high quality studios into the service line during the period, with Digital Media Management and 47 Communications greatly enhancing our social media and PR offering respectively. During the period we also enhanced our client service offering, by expanding the team, and are looking to provide a more holistic offering to our clients, taking advantage of the breath of our capabilities following our recent acquisitions.

Adjusted EBITDA of €7.9m was 2.5% lower than H1 2022 (€8.1m), with the Adjusted EBITDA margin of 10.5% behind the prior year period (H1 2022: 14.6%). Margins were impacted as the business has relatively fixed costs and was scaled for growth, but experienced lower utilisation rates as projects were delayed. We have implemented cost control measures in certain studios and are exploring broader cost saving initiatives across the service line, whilst retaining our capacity to support growth in future periods.

Outlook

We continue to scale the Engage service line, by building out the full-service capabilities of the marketing offering and by creating a holistic technology-enabled player engagement offering through the addition of Helpshift's automated solutions. Marketing experienced a number of project delays into H2 and has a strong pipeline of work for the period, although is being impacted by the ongoing entertainment strikes through its US studios, and the mobile market, which drives Player Engagement demand, appears to be improving following a period of contraction.

Financial and operating overview

Revenue

Revenue for H1 2023 increased by 19.4% to €383.5m (H1 2022: €321.1m). This performance included the impact of acquisitions in 2022 and H1 2023 and a ~2% headwind from the impact of currency movements, when translating studio results from local currency into the euro reporting currency.

Organic Revenue growth (which adjusts for the impact of acquisitions) was 10.4%. This was driven by continuing strong performance in Create, offset by more muted performance in Globalize and Engage. Further details of the trading performances of each of the Service Lines are provided in the Service Line Review.

Gross profit and margin

Gross profit in H1 2023 was €145.2m (H1 2022: €124.5m) representing an increase of 16.6%. The gross margin of 37.9% was slightly below H1 2022 (38.8%) due to lower than planned utilisation rates in the short-term in Globalize and Engage.

Operating costs

Adjusted operating costs increased by 24.8% to €67.9m (H1 22: €54.4m), reflecting the larger Group, but at 17.7% of revenue were in line with H2 2022, although slightly higher than H1 2022 (16.9%). This was due to continuing investment in the business, the larger office footprint post COVID-19, and the return to normal of travel and business development costs.

EBITDA

EBITDA of €60.5m was in line with H1 2022 (€61.0m). Adjusted EBITDA increased 10.3% to €77.3m compared with €70.1m for H1 2022. The Adjusted EBITDA margin in H1 2023 of 20.1% was slightly lower than H1 2022 (21.8%), as expected, reflecting the lower gross margin.

Net finance costs

Net finance costs of €6.1m compared to H1 2022 of €0.4m. The increase was primarily driven by a €3.7m negative swing in foreign exchange movements, and €1.6m increase in interest costs relating to the drawdown on the RCF.

Alternative performance measures (APMs)

The Group reports a number of APMs to present the financial performance of the business which are not GAAP measures as defined by IFRS. The Directors believe these measures provide valuable additional information for the users of the financial information to understand the underlying trading performance of the business. In particular, adjusted profit measures are used to provide the users of the financial statements a clear understanding of the underlying profitability of the business over time. A breakdown of the adjusting factors is provided in the table below:

	H1 2023 €m	**H1 2022** €m
Share-based payments expense	**9.4**	8.9
Costs of acquisition and integration	**7.3**	1.3
Amortisation of intangible assets	**12.8**	7.5
Foreign exchange and other items	**3.1**	(2.0)
Total	**32.6**	15.7

A total 1.21m options were granted under incentive plans in H1 2023. This, together with grants from previous years, has resulted in a non-cash share-based payments expense of €9.4m in H1 23 (H1 2022: €8.9m).

One-off costs associated with the acquisition and integration of businesses amounted to €7.3m (H1 2022: €1.3m), mainly due to an increase in deferred consideration related to continuing employment of €4.2m, and re-structuring costs associated with exiting Russia of €1.3m. Amortisation of intangible assets increased by €5.3m to €12.8m (H1 2022: €7.5m).

Foreign exchange and other items amounted to a net loss of €3.1m (H1 2022: gain of €2.0m). This includes €1.8m for the unwinding of discounted liabilities on deferred consideration (H1 2022: €1.5m) and a net foreign exchange loss of €1.3m (H1 2022: gain of €2.4m). Keywords does not hedge foreign currency exposures in relation to net current assets. While more material movements in foreign exchange can be impactful on revenues and expenses, the net impact on the Group's results of movements in exchange rates and the foreign exchange gains and losses incurred during the year mainly relate to the effect of translating net current assets held in foreign currencies.

A more detailed explanation of the measures used together with a reconciliation to the corresponding GAAP measures is provided in the APMs section at the end of the report.

Operating Profit

Operating profit of €29.3m in H1 2023, was 25.8% lower than H1 2022 (€39.5m). Adjusted operating profit, which adjusts for the items described in the APMs section above increased to €58.9m, 5.2% ahead of H1 2022 (€56.0m). Adjusted operating profit margin of 15.4% was in line with guidance, and largely in line with the margins achieved in H2 2022, as we continue to invest into the business, albeit behind H1 2022 (17.5%).

Profit before taxation

Profit before tax of €23.2m in H1 2023 was 40.7% lower than H1 2022 (€39.1m). Adjusted profit before tax, which adjusts for the items described in the APMs section above increased to €55.8m, slightly ahead of H1 2022 (€54.8m). This reflects a reduction in the Adjusted profit before tax margin to 14.6% from H1 2022 of 17.1% due to lower Adjusted Operating margins and increased interest payments linked to acquisition activity.

Taxation

The tax charge reduced to €8.7m from €10.9m in H1 2022, largely reflecting the reduction in the Profit before tax of the business. After adjusting for the items noted in the APMs section above and the tax impact arising on these items, the Adjusted effective tax rate for H1 2023 was 21.7%, slightly below the rate of 22.0% in H1 2022.

Earnings per share

Basic earnings per share of 18.48c was lower than H1 2022 (36.80c), primarily reflecting the reduction in the statutory Profit after tax. Adjusted earnings per share, which adjusts for the items noted in the APMs section above and the tax impact arising on these items was 55.60c (H1 2022: 55.89c), flat year-on-year, with both Adjusted profit before tax and the basic weighted average number of shares largely in line with the previous year.

Cash flow and net debt

	H1 23 €m	H1 22 €m	Change €m
Adjusted EBITDA	**77.3**	**70.1**	**7.2**
MMTC and VGTR	(16.6)	(10.4)	(6.2)
Working capital and other items	(20.9)	(12.7)	(8.2)
Capex – property, plant and equipment (PPE)	(18.8)	(10.0)	(8.8)
Capex – intangible assets	(1.3)	(0.2)	(1.1)
Payments of principal on lease liabilities	(6.8)	(5.5)	(1.3)
Operating cash flows	**12.9**	**31.3**	**(18.4)**
Net interest paid	(2.2)	(0.8)	(1.4)
Free cash flow before tax	**10.7**	**30.5**	**(19.8)**
Tax	(7.9)	(6.2)	(1.7)
Free cash flow	**2.8**	**24.3**	**(21.5)**

M&A – acquisition spend	(88.9)	(13.6)	(75.3)
M&A – acquisition and integration costs	(3.0)	(1.3)	(1.7)
Funding EBT Purchases	(4.7)	-	(4.7)
Other income and other items	-	1.1	(1.1)
Dividends paid	(1.5)	(1.3)	(0.2)
Shares issued for cash	1.4	2.4	(1.0)
Underlying increase / (decrease) in net cash / (debt)	**(93.9)**	**11.6**	**(105.5)**
FX and other items	0.7	4.1	(3.4)
Increase in net cash / (debt)	**(93.2)**	**15.7**	**(108.9)**
Opening net cash / (debt)	81.8	105.6	
Closing net cash / (debt)	(11.4)	121.3	

The Group generated Adjusted EBITDA of €77.3m in H1 2023, an increase of €7.2m from €70.1m in H1 2022. There was a €6.2m increase in respect of the amounts due for Multi-Media Tax Credits (MMTCs) and Video Game Tax Credits (VGTRs), higher than H1 2022 (€10.4m), as we saw delays to the receipt of historic VGTRs that had been expected in H1 2023 and were subsequently received in Q3 2023. In general, MMTCs and VGTRs are subsidies that are recognised as work is performed but are typically paid in the second half of the following year. Other working capital saw an outflow of €20.9m, an €8.2m change from H1 2022, mainly due to an increase in trade receivables and accrued income.

Investment in property, plant and equipment increased by €8.8m to €18.8m (H1 2022: €10.0m) as we continued to invest in the footprint of the business, the new sites required to exit Russia, and took advantage of favourable pricing to purchase longer-term software licences. In addition, we incurred €1.3m of capitalised research and development costs as we developed our technology platform. Property lease payments of principal of €6.8m were €1.3m higher than the prior period (H2 2022: €5.5m) mainly related to acquisitions in the period.

Operating cash flows of €12.9m were behind H1 2022 (€31.3m), primarily due to the change in working capital and the increased capex during the period.

There was a €1.7m increase in cash tax paid to €7.9m (H1 2022: €6.2m) as payment schedules return to a more normal pattern. Net interest payments, which largely relate to interest from drawdowns on the Revolving Credit Facility (RCF), were €2.2m compared to €0.8m in H1 2022.

This resulted in Free cash flow of €2.8m, €21.5m behind H1 22 (€24.3m). Adjusted free cash flow, which adjusts for capital expenditure that is supporting growth in future periods was €18.5m in H1 2023, behind H1 2022 (€31.7m). The Adjusted cash conversion rate of 33.2% was below H1 2022 (57.9%), but would have been approximately 49% without a delay in receipts of expected VGTR in the UK, which have now largely been received in Q3.

Cash spent on acquisitions totalled €91.9m, of which €12.7m was in respect of the cash component of prior year acquisitions and €3.0m was in relation to acquisition and integration costs. This was €77.0m higher than the spend in H1 2022 due to the timing of acquisitions.

This resulted in a reduction in net cash of €93.2m in H1 23, leading to closing net debt of €11.4m (Dec 2022: net cash €81.8m).

Balance sheet and liquidity

The Group funds itself primarily through cash generation and a syndicated RCF. In July 2023, the Group put in place a new RCF of $400m that matures in July 2027, replacing the previous €150m facility. The new RCF includes an accordion option to increase the facility up to $500m and an option to extend the term by a further one-year period (both subject to lender consent). The majority of Group borrowings are subject to two financial covenants that are calculated in accordance with the facility agreement:

Leverage: Maximum Total Net Borrowings to Adjusted EBITDA ratio of three times; and

Interest cover: Minimum Adjusted Operating Profit to Net Finance Costs ratio of four times.

The Group entered the year with a strong balance sheet and deployed €96.6m of cash in the period to support its value accretive M&A programme and share purchases on behalf of the Employee Benefit Trust. As such at the end of H1 2023, Keywords had net debt (excluding IFRS 16 leases) of €11.4m (31 December 2022: net cash of €81.8m) and undrawn committed facilities of $340m. The undrawn facilities, together with cash generation leaves us well placed to continue to execute on our M&A programme.

Capital Allocation

The Board is pleased to declare an interim dividend of 0.85p per share (H1 2022: 0.77p) representing an increase of 10.0% on the 2022 interim dividend. This is in line with the Board's progressive dividend policy which seeks to reflect the Group's continued growth in earnings and strong cash generation, balanced with the need to retain the resources to fund growth opportunities, particularly M&A, in line with our strategy.

Payments will be made on 27 October 2023 to shareholders on the register on 6 October 2023 and will go ex-dividend on 5 October 2023. The interim dividend payment will represent a total cost of approximately €0.8m of cash resources.

Keywords has authorised the Link Market Services Trustees Limited ('Link') to operate a Dividend Reinvestment Plan (DRIP) for the Group's shareholders for the interim dividend and going forward, to provide greater flexibility for shareholders to manage their dividends. Instructions for shareholders on how to apply for the DRIP will be included in communications regarding the dividend, and any queries regarding the DRIP should be directed to Link.

The Group also intends to use its Employee Benefit Trust to undertake market purchases of Company shares in H2 2023, amounting to an aggregate of up to €10m, bringing the total purchases in the year to €15m, in order to satisfy future exercises of LTIPs or stock options pursuant to the relevant share plan.

Guidance for remainder of 2023

We continue to trade robustly across our video gaming focused studios, but have begun to see an impact in H2 from the unforeseen US entertainment strikes on our US media and entertainment exposed businesses. We believe these have the potential to impact organic revenue growth by around 2-2.5% for the full year depending on how long they persist.

Excluding the impact of the strikes, we expect full year underlying organic revenue growth to be broadly similar to the first half, with H2 growth weighted to the fourth quarter as clients remain budget conscious. Adjusted operating margins are expected to remain above 15% in 2023, as we expect cost control measures to largely mitigate the impact of the strikes on profitability.

During 2022, we benefited from the strength of the US dollar and are mindful that there remains potential volatility in the foreign exchange markets beyond our control that can impact performance through the year.

The adjusted Effective Tax rate for the full year is expected to be in line with the first half rate of ~22%. We continue to anticipate capex at a higher level than in 2022 relative to revenue, reflecting some expansionary capex and foreign exchange movements, but we still expect a full year Adjusted Cash Conversion rate of around 80%.

Rob Kingston
Chief Financial Officer

Condensed interim consolidated statement of comprehensive income

	Note	**Unaudited Half Year 30 Jun 23 €'000**	Unaudited Half Year 30 Jun 22 €'000	Audited Year 31 Dec 22 €'000
Revenue from contracts with customers	5	**383,526**	321,140	690,718
Cost of sales		**(238,344)**	(196,642)	(423,452)
Gross profit		**145,182**	124,498	267,266
Other income		**-**	1,107	1,098
Share-based payments expense		**(9,438)**	(8,940)	(18,678)
Costs of acquisition and integration		**(7,335)**	(1,284)	(8,413)
Amortisation of intangible assets	9	**(12,775)**	(7,469)	(16,810)
Total of items excluded from adjusted profit measures		**(29,548)**	(17,693)	(43,901)
Other administration expenses		**(86,307)**	(68,459)	(152,653)
Administrative expenses		**(115,855)**	(86,152)	(196,554)
Operating profit		**29,327**	39,453	71,810
Financing income	6	**154**	2,514	1,986
Financing cost	6	**(6,292)**	(2,889)	(5,814)
Profit before taxation		**23,189**	39,078	67,982
Taxation		**(8,669)**	(10,937)	(20,612)
Profit after taxation		**14,520**	28,141	47,370
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit plans		**(150)**	-	286
Items that may be reclassified subsequently to profit or loss				
Exchange gain / (loss) in net investment in foreign operations		**(4,215)**	11,875	(7,947)
Exchange gain / (loss) on translation of foreign operations		**872**	7,148	6,144
Non-controlling interest; recycled on disposal of subsidiary		**-**	162	162
Total comprehensive income / (expense)		**11,027**	47,326	46,015
Profit / (loss) for the period attributable to:				
Owners of the parent		**14,520**	28,186	47,415
Non-controlling interest		**-**	(45)	(45)
		14,520	28,141	47,370
Total comprehensive income / (expense) attributable to:				
Owners of the parent		**11,027**	47,209	46,015
Non-controlling interest		**-**	117	-
		11,027	47,326	46,015
Earnings per share		**€ cent**	€ cent	€ cent
Basic earnings per ordinary share	7	**18.48**	36.80	61.54
Diluted earnings per ordinary share	7	**17.80**	35.52	58.86

Condensed interim consolidated statement of financial position

	Note	**Unaudited At 30 Jun 23 €'000**	Unaudited At 30 Jun 22 Re-stated (note 19) €'000	Audited At 31 Dec 22 Re-stated (note 19) €'000
Non-current assets				
Intangible assets	9	**574,627**	361,510	469,953
Right of use assets	9	**44,295**	34,014	37,672
Property, plant and equipment	9	**53,553**	38,319	44,784
Deferred tax assets		**30,657**	29,886	31,157
Investments		**175**	175	175
		703,307	463,904	583,741
Current assets				
Cash and cash equivalents		**43,804**	121,395	81,886
Trade receivables	10	**95,042**	88,387	81,563
Other receivables	10	**90,253**	72,225	61,415
Corporation tax recoverable		**5,883**	6,361	6,503
		234,982	288,368	231,367
Current liabilities				
Trade payables		**14,798**	11,392	15,878
Other payables	13	**161,093**	122,723	139,355
Loans and borrowings	14	**-**	64	45
Corporation tax liabilities		**24,134**	15,473	22,028
Lease liabilities	16	**15,426**	11,101	12,414
		215,451	160,753	189,720
Net current assets / (liabilities)		**19,531**	127,615	41,647
Non-current liabilities				
Other payables	13	**19,388**	8,007	18,308
Employee defined benefit plans		**3,601**	3,270	2,861
Loans and borrowings	14	**55,215**	31	6
Deferred tax liabilities		**15,772**	25,116	17,017
Lease liabilities	16	**34,223**	24,766	30,105
		128,199	61,190	68,297
Net assets		**594,639**	530,329	557,091
Equity				
Share capital	11	**937**	912	924
Share capital - to be issued	11	**2,788**	810	2,467
Share premium	11	**54,439**	40,984	47,021
Merger reserve	11	**302,146**	275,021	286,655
Foreign exchange reserve		**7,675**	31,844	11,018
Shares held in Employee Benefit Trust ("EBT")		**(974)**	-	-
Share-based payments reserve		**71,091**	55,970	65,379
Retained earnings		**156,537**	124,788	143,627
Total equity		**594,639**	530,329	557,091

Condensed interim consolidated statement of changes in equity

	Share capital	Share capital - to be issued	Share premium	Merger reserve	Foreign exchange reserve	Shares held in EBT	Share-based payments reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 01 January 2022	904	2,185	38,549	273,677	12,821	(1,997)	48,193	97,905	472,237	(117)	472,120
Profit for the period	-	-	-	-	-	-	-	28,186	28,186	(45)	28,141
Recycled on disposal of subsidiary	-	-	-	-	-	-	-	-	-	162	162
Other comprehensive income	-	-	-	-	19,023	-	-	-	19,023	-	19,023
Total comprehensive income for the period	-	-	-	-	19,023	-	-	28,186	47,209	117	47,326
Contributions by and contributions to the owners:											
Share-based payments expense	-	-	-	-	-	-	8,886	-	8,886	-	8,886
Share options exercised	7	-	1,953	-	-	1,997	(1,163)	-	2,794	-	2,794
Employee Share Purchase Plan	-	-	482	-	-	-	54	-	536	-	536
Dividends	-	-	-	-	-	-	-	(1,303)	(1,303)	-	(1,303)
Acquisition related issuance of shares	1	(1,375)	-	1,344	-	-	-	-	(30)	-	(30)
Contributions by and contributions to the owners	8	(1,375)	2,435	1,344	-	1,997	7,777	(1,303)	10,883	-	10,883
At 30 June 2022	912	810	40,984	275,021	31,844	-	55,970	124,788	530,329	-	530,329
Profit / (loss) for the period	-	-	-	-	-	-	-	19,229	19,229	-	19,229
Other comprehensive income	-	-	-	-	(20,826)	-	-	286	(20,540)	-	(20,540)
Total comprehensive income for the period	-	-	-	-	(20,826)	-	-	19,515	(1,311)	-	(1,311)
Contributions by and contributions to the owners:											
Share-based payments expense	-	-	-	-	-	-	9,691	-	9,691	-	9,691
Share options exercised	7	-	3,909	-	-	-	(329)	-	3,587	-	3,587
Employee Share Purchase Plan	-	-	427	-	-	-	47	-	474	-	474
Dividends	-	-	-	-	-	-	-	(676)	(676)	-	(676)
Acquisition related issuance of shares	5	1,657	1,701	11,634	-	-	-	-	14,997	-	14,997
Contributions by and contributions to the owners	12	1,657	6,037	11,634	-	-	9,409	(676)	28,073	-	28,073
At 31 December 2022	**924**	**2,467**	**47,021**	**286,655**	**11,018**	**-**	**65,379**	**143,627**	**557,091**	**-**	**557,091**
Profit / (loss) for the period	-	-	-	-	-	-	-	14,520	14,520	-	**14,520**
Other comprehensive income	-	-	-	-	(3,343)	-	-	(150)	(3,493)	-	**(3,493)**
Total comprehensive income for the period	-	-	-	-	(3,343)	-	-	14,370	11,027	-	**11,027**
Contributions by and contributions to the owners:											
Share-based payments expense	-	-	-	-	-	-	9,438	-	9,438	-	**9,438**
Share options exercised	6	-	1,432	-	-	4,026	(3,726)	-	1,738	-	**1,738**
Funding of EBT	-	-	-	-	-	(5,000)	-	-	(5,000)	-	**(5,000)**
Dividends	-	-	-	-	-	-	-	(1,460)	(1,460)	-	**(1,460)**
Acquisition related issuance of shares (note 11)	7	321	5,986	15,491	-	-	-	-	21,805	-	**21,805**
Contributions by and contributions to the owners	13	321	7,418	15,491	-	(974)	5,712	(1,460)	26,521	-	**26,521**
At 30 June 2023	**937**	**2,788**	**54,439**	**302,146**	**7,675**	**(974)**	**71,091**	**156,537**	**594,639**	**-**	**594,639**

Condensed interim consolidated statement of cash flows

	Note	**Unaudited Half Year 30 Jun 23 €'000**	Unaudited Half Year 30 Jun 22 €'000	Audited Year 31 Dec 22 €'000
Cash flows from operating activities				
Profit after taxation		**14,520**	28,141	47,370
Income and expenses not affecting operating cash flows				
Depreciation - property, plant and equipment	9	**10,907**	8,790	18,365
Depreciation and impairment - right of use assets	9	**7,821**	5,591	14,585
Amortisation and impairment of intangible assets	9	**12,775**	7,469	16,810
Taxation		**8,669**	10,937	20,612
Share-based payments expense		**9,438**	8,940	18,678
Fair value adjustments to contingent consideration		**4,332**	-	2,282
Unwinding of discounted liabilities - deferred consideration	6	**1,817**	1,478	2,922
Unwinding of discounted liabilities - lease liabilities	6	**631**	465	969
Interest receivable	6	**(154)**	(102)	(309)
Fair value adjustments to employee defined benefit plans		**740**	-	514
Interest expense	6	**2,231**	629	1,261
Unrealised foreign exchange (gain) / loss		**(4,443)**	2,774	766
		54,764	46,971	97,455
Changes in operating assets and liabilities				
Decrease / (increase) in trade receivables		**(9,229)**	(19,725)	(11,771)
Decrease / (increase) in MMTC and VGTR receivable		**(16,613)**	(10,384)	(3,591)
Decrease / (increase) in other receivables		**(11,504)**	(9,935)	(6,457)
(Decrease) / increase in accruals, trade and other payables		**4,880**	11,679	18,785
		(32,466)	(28,365)	(3,034)
Taxation paid		**(7,913)**	(6,181)	(17,505)
Net cash generated by / (used in) operating activities		**28,905**	40,566	124,286
Cash flows from investing activities				
Current year acquisition of subsidiaries net of cash acquired	17	**(76,217)**	-	(87,494)
Settlement of deferred liabilities on acquisitions	13	**(12,704)**	(13,579)	(25,800)
Acquisition of property, plant and equipment	9	**(18,799)**	(9,997)	(27,007)
Investment in intangible assets	9	**(1,325)**	(178)	(501)
Interest received		**154**	102	309
Net cash generated by / (used in) investing activities		**(108,891)**	(23,652)	(140,493)
Cash flows from financing activities				
Cash proceeds, where EBT shares were utilised for the exercise of share options		**300**	-	505
Repayment of loans	14	**(32,730)**	(42)	(79)
Drawdown of loans	14	**89,379**	-	-
Payments of principal on lease liabilities	16	**(6,822)**	(5,453)	(11,361)
Interest paid on principal of lease liabilities	16	**(631)**	(465)	(969)
Dividends paid		**(1,460)**	(1,303)	(1,979)
Cash advanced to EBT		**(5,000)**	-	-
Shares issued for cash	11	**1,438**	2,435	6,785
Interest paid		**(1,745)**	(413)	(828)
Net cash generated by / (used in) financing activities		**42,729**	(5,241)	(7,926)
Increase / (decrease) in cash and cash equivalents		**(37,257)**	11,673	(24,133)
Exchange gain / (loss) on cash and cash equivalents		**(825)**	4,012	309
Cash and cash equivalents at beginning of the period		**81,886**	105,710	105,710
Cash and cash equivalents at end of the period		**43,804**	121,395	81,886

Notes forming part of the Condensed interim consolidated financial statements

1 Basis of Preparation

Keywords Studios PLC (the "Company") is a company incorporated in the United Kingdom. The Condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 30 June 2023.

The interim results for the half year ended 30 June 2023 and the half year ended 30 June 2022 are not audited 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 full annual financial statements, and should be read in conjunction with the latest annual audited financial statements of Keywords Studios PLC for the year ended 31 December 2022, which have been filed with Companies House. The report of the auditors on those accounts was unqualified, did not contain any 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.

The interim financial statements presented in this financial report have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) interpretations that are expected to be applicable to the consolidated financial statements for the period ending 31 December 2023 and the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority.

There have been no changes in the principal risks and uncertainties during the period and therefore these remain consistent with the year ended 31 December 2022 and are disclosed in the Annual Report for that year.

Going Concern Basis of Accounting

After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the interim financial statements. In doing so, the Directors have considered the following:

- The strong cash flow performance of the Group through the year;
- The continued demand for the Group's services;
- The historical resilience of the broader video games industry in times of economic downturn; and
- The ability of the Group to flex its cost base in response to a reduction in trading activity.

The Directors have also considered the Group's strong liquidity position with net debt of €11.4m as at 30 June 2023, and committed undrawn facilities of €94.8m under the €150m Revolving Credit Facility ("RCF") in place at 30 June 2023. As outlined in note 14, a new RCF was put in place in July 2023 with an increased facility of $400m.

The Directors have applied downside sensitivities to the Group's cash flow projections to assess the Group's resilience to adverse outcomes. This assessment included a reasonable worst-case scenario in which the Group's principal risks manifest to a severe but plausible level. Even under the most severe case, the Group would have sufficient liquidity and remain within its banking covenants. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue to operate and meet liabilities as they fall due for the foreseeable future, a period considered to be at least twelve months from the date of these financial statements and therefore the going concern basis of preparation continues to be appropriate.

The Condensed interim consolidated financial statements made up to 30 June 2023 were approved by the Board of Directors on 11 September 2023.

2 Changes in Significant Accounting Policies

New Standards, Interpretations and Amendments effective 1 January 2023

The following amendments effective for the period beginning 01 January 2023 are expected to be impactful on the Group moving forward:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): These amendments relate to the application of materiality in relation to the disclosure of accounting policies, requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Board will consider these amendments in the context of the 2023 Annual Report.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12): These amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences e.g. Right of use assets and Lease liabilities. As a result, deferred tax assets and liabilities associated with leases are now recognised gross from the beginning of the earliest comparative period presented. As outlined in note 19, the comparative periods presented have been re-stated to reflect the impact of adoption on the carrying value of Right of Use Assets and Lease Liabilities, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity.

Other amendments effective for the period beginning 01 January 2023:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1; and
- Definition of Accounting Estimate – Amendments to IAS 8;

The Group does not expect these other amendments, or any other standards issued by the IASB but not yet effective, to have a material impact on the Group.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments effective for the period beginning 01 January 2024:

- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16); and

- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, with Covenants).

The Group does not expect these amendments, or any other standards issued by the IASB but not yet effective, to have a material impact on the Group.

3 Significant Accounting Policies

Except as described in note 19, the accounting policies applied in these interim financial statements are the same as those applied in the Group's most recent annual financial statements as at and for the year ended 31 December 2022.

4 Critical Accounting Estimates and Judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The judgements, estimates and assumptions applied in these interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2022. The only exceptions are:

- Tax Liabilities - determined using the estimated annual effective tax rate:
    - The estimate of tax liabilities which are determined in these interim financial statements using the estimated annual effective tax rate applied to the pre-tax income of the interim period.

5 Segmental Analysis and Revenue from Contracts with Customers

Segmental Analysis

	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 22 €'000 Re-stated	Audited Year 31 Dec 22 €'000
Revenue from external customers			
Create	**162,916**	124,280	275,570
Globalize	**145,701**	141,585	300,875
Engage	**74,909**	55,275	114,273
	383,526	321,140	690,718
Segment operating profit			
Create ~	**41,687**	32,406	69,748
Globalize ~	**27,682**	29,630	61,577
Engage	**7,881**	8,112	15,576
	77,250	70,148	146,901
Reconciliation of Segment operating profit			
Adjusted EBITDA^	**77,250**	70,148	146,901
Share-based payments expense	**(9,438)**	(8,940)	(18,678)
Costs of acquisition and integration	**(7,335)**	(1,284)	(8,413)
Non-controlling interest	**-**	(45)	-
Other income	**-**	1,107	1,098
Amortisation of intangible assets	**(12,775)**	(7,469)	(16,810)
Depreciation - property plant and equipment	**(10,907)**	(8,790)	(18,365)
Depreciation and impairment - right of use assets	**(7,821)**	(5,591)	(14,585)
Bank charges	**353**	317	662
Operating profit	**29,327**	39,453	71,810
Financing income	**154**	2,514	1,986
Financing cost	**(6,292)**	(2,889)	(5,814)
Profit before taxation	**23,189**	39,078	67,982

^ The Group reports a number of alternative performance measures ("APMs"), including Adjusted EBITDA, to present the financial performance of the business, that are not GAAP measures as defined under IFRS. Segmental results are reported in a manner consistent with these measures. A reconciliation of Adjusted EBITDA to the relevant GAAP measure is presented in the APM's section below.
~ The prior half year comparatives have been updated to reflect the full year 2022 cost allocation methodology, as the Directors' consider this to be more precise.

Revenues are recognised as services are delivered by the relevant producing segment, and while there is significant sub-contracting across production locations around the Group, inter-segment revenues are not significant. Assets and liabilities are not allocated by segment.

Revenue is earned from external customers, with no individual customer accounting for 10% or more of the Group's revenue in any period presented.

Geographical analysis of revenues, by production location*	**Unaudited Half Year 30 Jun 23 €'000**	Unaudited Half Year 30 Jun 22 €'000	Audited Year 31 Dec 22 €'000
Canada	**81,130**	70,151	155,509
United States	**75,942**	56,407	120,722
United Kingdom	**62,934**	57,666	115,017
Poland	**19,595**	13,917	42,731
Australia	**18,531**	8,064	22,211
Italy	**18,100**	17,338	39,195
China	**15,017**	11,478	26,759
India	**13,530**	12,290	25,290
Ireland	**10,974**	6,727	13,449
Japan	**9,722**	11,181	22,716
Other	**58,051**	55,921	107,119
	383,526	321,140	690,718

*The prior year comparatives have been re-classified to align to the current year ranking by production location.

For Game Development, games are developed to an agreed specification and time schedule, and often have delivery schedules and / or milestones that extend well into the future. The following are Game Development revenues expected to be recognised for contracts with a schedule of work that extends beyond one year, representing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period:

Revenue expected to be recognised	**Total undelivered €'000**	**Scheduled completion within 1 year €'000**	**Scheduled completion 1-2 years €'000**	**Scheduled completion 2-5 years €'000**
At 30 June 2023	**27,528**	**27,151**	**283**	**94**
At 30 June 2022	62,442	48,679	12,719	1,044
At 31 December 2022	82,060	77,448	4,612	-

Geographical analysis of non-current assets from continuing businesses*	**Unaudited Half Year 30 Jun 23 €'000**	Unaudited Half Year 30 Jun 22 €'000	Audited Year 31 Dec 22 €'000
United States	**365,989**	176,906	264,117
United Kingdom	**128,315**	119,682	121,556
Canada	**56,405**	28,444	57,652
Australia	**49,546**	48,132	51,869
Italy	**16,246**	15,610	16,471
Poland	**14,248**	4,070	12,561
China	**10,567**	9,081	9,296
Switzerland	**10,025**	10,025	10,025
Ireland	**8,702**	9,994	10,311
France	**7,254**	7,472	7,150
Other	**36,010**	34,488	22,733
	703,307	463,904	583,741

*The prior year comparatives have been re-classified to align to the current year ranking.

Seasonal Business

Historically the video games industry has been heavily impacted by sales of new releases of games and platforms during the traditional holiday season, including the run up to Thanksgiving in the United States and Christmas in other parts of the world. As with all other service providers to the video games industry, certain of Keywords' service lines typically experience significantly higher activity as part of this release cycle, during the six months from June to November. This activity drives increased revenues in that period and generates higher gross profit margins in the second half compared with the first half of each calendar year. More recently, the rise of streaming has shifted the video game industry away from a strict seasonal cycle. In addition, as Keywords continues to build on our platform, and our presence in each stage of the games development cycle increases, the impact of seasonality on our business is reducing over time.

Revenue and Gross profit for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period are presented below, which include the post-acquisition results of acquisitions completed in the relevant period.

	Unaudited Year 30 Jun 23 €'m	Unaudited Year 30 Jun 22 €'m
Revenue	**753**	595
Gross profit	**288**	233

6 Financing Income and Cost

	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 22 €'000	Audited Year 31 Dec 22 €'000
Financing income			
Interest received	**154**	102	309
Foreign exchange gain	**-**	2,412	1,677
	154	2,514	1,986
Financing cost			
Bank charges	**(353)**	(317)	(662)
Interest expense	**(2,231)**	(629)	(1,261)
Unwinding of discounted liabilities - lease liabilities	**(631)**	(465)	(969)
Unwinding of discounted liabilities - deferred consideration	**(1,817)**	(1,478)	(2,922)
Foreign exchange loss	**(1,260)**	-	-
	(6,292)	(2,889)	(5,814)
Net financing income / (cost)	**(6,138)**	(375)	(3,828)

7 Earnings per Share

	Unaudited Half Year 30 Jun 23 € cent	Unaudited Half Year 30 Jun 22 € cent	Audited Year 31 Dec 22 € cent
Basic	**18.48**	36.80	61.54
Diluted	**17.80**	35.52	58.86

Earnings	**€'000**	€'000	€'000
Profit for the period from continuing operations	**14,520**	28,141	47,370

Weighted average number of equity shares	**Number**	Number	Number
Basic (i)	**78,558,801**	76,478,194	76,979,596
Diluting impact of share options (ii)	**2,993,709**	2,756,818	3,502,301
Diluted (i)	**81,552,510**	79,235,012	80,481,897

(i) Includes (weighted average) shares to be issued:

	Number	Number	Number
	106,959	34,709	67,802

(ii) Contingently issuable ordinary shares have been excluded where the conditions governing exercisability have not been satisfied:

	Number	Number	Number
LTIPs	**1,233,865**	1,720,825	409,728
Share options	**-**	519,000	511,411
	1,233,865	2,239,825	921,139

8 Dividends

Dividends recommended	**In respect of**	**Expected € cent per share**	**Pence STG per share**	**Expected interim dividend €'000**	**Expected payment date**
Interim	2023	0.99	0.85	780	Oct-23

At 30 June 2023, Retained earnings available for distribution (being Retained earnings plus Share-based payments reserve) in the Company were €84.4m. In addition, the Company has amounts included in the Merger reserve of €123.9m that are considered distributable (note 11).

9 Non-current Assets

	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 23 €'000	Unaudited Half Year 30 Jun 23 €'000
Movement of the carrying value of Non-current assets	**Property, plant and equipment**	**Right of use assets**	**Intangible assets - goodwill**	**Intangible assets - other**	**Intangible assets - total**
Carrying amount at the beginning of the period	**44,784**	**37,672**	**396,733**	**73,220**	**469,953**
Arising on acquisitions	970	6,097	90,678	27,317	117,995
Additions	18,799	8,058	-	1,325	1,325
Depreciation charge	(10,907)	(7,821)	-	-	-
Amortisation charge	-	-	-	(12,775)	(12,775)
Exchange rate movement	(93)	289	(800)	(1,071)	(1,871)
Carrying amount at the end of the period	**53,553**	**44,295**	**486,611**	**88,016**	**574,627**

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The CGU's represent the lowest level within the Group at which the associated goodwill is assessed for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 Operating Segments. The Board have determined the lines of business as CGU's, and Goodwill acquired in business combinations has been allocated to the CGUs that are expected to benefit from business combinations to date.

A summary of the allocation of the carrying value of goodwill by CGU and by segment is presented below:

		Unaudited Half Year 30 Jun 23 €'m	Unaudited Half Year 30 Jun 22 €'m	Audited Year 31 Dec 22 €'m
Create:	Game Development	**232**	185	218
	Art Services	**19**	20	19
Globalize:	Functional Testing	**15**	15	15
	Localization Testing	**14**	14	14
	Audio	**33**	34	33
	Localization	**18**	19	19
Engage:	Marketing	**119**	39	35
	Player Engagement	**37**	12	44
		487	338	397

While the Group performs a full assessment of the carrying value of goodwill, intangible assets and other assets on an annual basis, at 30 June 2023 an interim assessment by CGU was made based on the same underlying assumptions used in the last Annual Report, but using updated forecasts and projections. Based on this interim review of the value in use calculations, no impairment is required in the period. The Directors consider that no reasonably probable change in assumptions would result in an impairment.

10 Trade and Other Receivables

	Unaudited At 30 Jun 23 €'000	Unaudited At 30 Jun 22 €'000	Audited At 31 Dec 22 €'000
Trade receivables derived from contracts with customers	**99,012**	90,270	85,012
Provision for bad debts (i) (ii)	**(3,970)**	(1,883)	(3,449)
Financial asset held at amortised cost	**95,042**	88,387	81,563
Accrued income from contracts with customers - gross	**20,593**	15,886	16,652
Accrued income from contracts with customers - loss allowance	**(1,819)**	-	(3,432)
Financial asset held at amortised cost (iii)	**18,774**	15,886	13,220
Multimedia tax credits / video games tax relief	**43,051**	34,452	25,756
Prepayments and rent deposits	**14,085**	10,414	10,527
Tax and social security	**8,811**	6,729	6,538
Other receivables	**5,532**	4,744	5,374
Other receivables	**90,253**	72,225	61,415

(i) The movements in the provision for bad debts in the current period were as follows:

	Unaudited Half Year 30 Jun 23 €'000
Provision at the beginning of the period	**(3,449)**
Recognition on acquisition of subsidiaries	(412)
Impairment of financial assets (trade receivables) charged to other administration expenses	(237)
Amounts written off against the provision in the period	81
Exchange rate movement	47
Provision at the end of the period	**(3,970)**
Credit loss experience	**1.0%**

(ii) The composition of the provision for bad debts at period end was as follows:

	Unaudited At 30 Jun 23 €'000
Credit impaired	(2,991)
Expected credit losses	(979)
Provision at the end of the period	**(3,970)**

(iii) Accrued income from contracts with customers represent mainly contract assets in process and related items. Excluding movements in the provision, the movement in the period comprises transfers in and out as items are accrued and subsequently invoiced to customers, with no significant amounts recognised on the acquisition of subsidiaries. The movements in the provision in the period were provisions utilised of €1.6m and movement in expected credit losses of €0.04m.

11 Share Capital

	Issue date	Per share €	Number of ordinary £0.01 shares	Number of ordinary £0.01 shares - to be issued	Share capital €'000	Share capital - to be issued €'000	Share premium €'000	Merger reserve* €'000
At 01 January 2023			**77,990,057**	**87,738**	**924**	**2,467**	**47,021**	**286,655**
Acquisition related issuance of shares:								
Heavy Iron	20-Jan-23	34.67	93,856	-	1	-	-	3,254
Climax Studios	17-Feb-23	27.18	21,428	-	-	-	-	582
Waste Creative	15-Mar-23	31.52	26,600	-	-	-	-	841
Digital Media Management	29-Mar-23	30.92	-	301,170	-	9,311	-	-
Digital Media Management	06-Apr-23	30.92	301,170	(301,170)	3	(9,311)	-	9,308
Hardsuit Labs	10-May-23	28.17	-	53,482	-	1,507	-	-
Hardsuit Labs	30-May-23	28.17	53,482	(53,482)	1	(1,507)	-	1,506
Tantalus Media	15-Jun-23	27.48	191,722	-	2	-	5,986	-
Playboss Interactive	30-Jun-23	24.48	-	13,118	-	321	-	-
Acquisition related issuance of shares			**688,258**	**13,118**	**7**	**321**	**5,986**	**15,491**
Issue of shares on exercise of share options			406,302	-	6	-	1,432	-
At 30 June 2023			**79,084,617**	**100,856**	**937**	**2,788**	**54,439**	**302,146**

* Included in the Merger reserve are amounts of €14.4m (being the premium arising on the share placement in 2015) and €109.5m (being the premium arising on the share placement in 2020), totalling €123.9m, that are considered distributable. At the time of the placements, the proceeds were not allocated to a specific acquisition or specific purpose, and thus these amounts included in the Merger reserve are considered distributable.

12 Share Options

	Share Option Scheme		Long Term Incentive Plan		Salary Shares	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
At 01 January 2023	**18.78**	**1,585,819**	**0.01**	**3,648,173**	**0.01**	**259,623**
Granted	-	-	0.01	657,157	0.01	557,007
Lapsed	19.57	(107,776)	0.01	(65,150)	0.01	(17,808)
Exercised	14.80	(97,519)	0.01	(443,452)	0.01	(7,740)
At 30 June 2023	**19.02**	**1,380,524**	**0.01**	**3,796,728**	**0.01**	**791,082**
Exercisable at 30 June 2023	**17.43**	**876,703**	**0.01**	**1,447,150**	**0.01**	**-**
Weighted average share price at date of exercise	**26.08**		**23.43**		**n/a**	

Analysis of Shares Exercised	Number of options	Number of options	Number of options
Exercised via issuance of new shares	81,269	317,293	7,740
Exercised via utilisation of shares held in EBT	16,250	126,159	-
	97,519	**443,452**	**7,740**

13 Other Payables

	Unaudited At 30 Jun 23 €'000	Unaudited At 30 Jun 22 €'000	Audited At 31 Dec 22 €'000
Current liabilities			
Accrued expenses	**67,979**	63,226	61,155
Payroll taxes	**5,068**	3,591	3,577
Other payables (ii)	**26,170**	19,886	26,099
Deferred and contingent consideration (i)	**57,256**	36,020	44,945
Deferred and contingent consideration related to continuous employment (i)	**4,620**	-	3,579
	161,093	122,723	139,355
Non-current liabilities			
Deferred and contingent consideration (i)	**19,388**	8,007	18,308
	19,388	8,007	18,308

Deferred and contingent consideration becomes payable where the purchase agreement includes deferred consideration contingent on both pre-defined profit and / or revenue targets being exceeded. The valuation of contingent consideration is derived using data from sources that are not widely available to the public and involves a degree of judgement (Level 3 input in the fair value hierarchy). Liabilities for deferred consideration are recognised at their fair value on the acquisition date, however where deferred and contingent consideration is also tied to the retention of key staff, these liabilities are considered post-acquisition expenses under IFRS 3, with liabilities for deferred and contingent consideration related to continuous employment accrued over the post-acquisition retention period.

(i) The movements in deferred and contingent consideration during the period were as follows:

	Unaudited Half Year 30 Jun 23 €'000	**Unaudited Half Year 30 Jun 23 €'000**
	Deferred and contingent consideration	**Deferred and contingent consideration related to continuous employment**
Carrying amount at the beginning of the period	**63,253**	**3,579**
Consideration settled by cash	(10,201)	(2,503)
Consideration settled by shares	(9,838)	(839)
Unwinding of discount (note 6)	1,817	-
Additional liabilities from current year acquisitions (note 17)	32,656	134
Additional liabilities from prior acquisitions	-	4,198
Exchange rate movement	(1,043)	51
Carrying amount at the end of the period	**76,644**	**4,620**

A 10% movement in expected performance would impact the fair value of the contingent consideration as follows:

Increase / (decrease) in carrying amount	**Unaudited At 30 Jun 23 €'000**	**Unaudited At 30 Jun 23 €'000**
	Deferred and contingent consideration	**Deferred and contingent consideration related to continuous employment**
Increase in expected performance - 10%	**7,583**	**-**
Decrease in expected performance - 10%	**(9,681)**	**(688)**

There are no other reasonably probable changes to the assumptions and inputs (including the discount rate) that would lead to a material change to the fair value of the total amount payable.

On an undiscounted basis, at period end the Group may be liable for deferred and contingent consideration ranging from €7.9m to a maximum of €95.9m. The contractual maturities (representing undiscounted contractual cash flows) of the Group's deferred and contingent consideration liabilities were as follows:

	Unaudited At 30 Jun 23 €'000	Unaudited At 30 Jun 23 €'000
	Deferred and contingent consideration	**Deferred and contingent consideration related to continuous employment**
Not later than one year	58,135	9,558
Later than one year and not later than two years	19,418	5,080
Later than two years and not later than five years	3,352	350
Total undiscounted contractual cash flows	**80,905**	**14,988**

(ii) The Group’s related party transactions are with key management personnel as disclosed in the Group’s Annual Report. There have been no material changes to the Group’s related party transactions with key management personnel during the period.

14 Loans and Borrowings and Capital Management

The movements in loans and borrowings (classified as financial liabilities, held at amortised cost under IFRS 9), in the current period were as follows:

	Unaudited Half Year 30 Jun 23 €'000
Carrying amount at the beginning of the period	**51**
Drawdowns	89,379
Repayments	(32,730)
Exchange rate movement	(1,485)
Carrying amount at the end of the period	**55,215**

The carrying amount at the beginning of the period represent loans owed by Keywords Studios QC-Interactive Inc. These balances were repaid in the period.

During July 2023, the Group negotiated a new unsecured multi-currency revolving credit facility agreement ("RCF") of $400 million. The new RCF is for an initial four-year tenor, with an option to extend the term by a further one year period, subject to lender consent. The new facility is supported by a group of seven global lenders and replaces the Group's previous €150 million unsecured multi-currency revolving credit facility. The RCF's financial covenants remain consistent with the previous facility. The new facility is denominated in US dollars to match the expected predominant currency of future borrowings.

The previous RCF allowed the Group to access financing of up to €150m, which may be drawn down in euro, sterling, US dollars or Canadian dollars, with an option (subject to lender consent), to increase the facility by up to €50m to a total of €200m, at interest rates based on a margin over currency benchmark rates, plus a separate margin charged for the unutilised facility. Throughout the period, the Group operated well within the interest cover and leverage ratio terms of the previous RCF agreement.

At the period end the net debt ratio was as follows:

	Unaudited At 30 Jun 23 €'000
Loans and borrowings	**55,215**
Less: cash and cash equivalents	**(43,804)**
Net debt / (net cash) position	**11,411**
Total equity	**594,639**
Net debt / (net cash) to capital ratio (%)	**2%**

15 Financial Instruments

During the period there has been no change in the measurement basis of the financial assets and liabilities shown in the Condensed interim consolidated statement of financial position.

16 Lease Liabilities

The movements in lease liabilities in the current period were as follows:

	Unaudited Half Year 30 Jun 23 €'000
Carrying amount at the beginning of the period	**42,519**
Recognition on acquisition of subsidiaries (note 17)	6,097
Liabilities recognised on new leases in the period	8,058
Unwinding of discounted liabilities - lease liabilities	631
Payment of principal and interest on lease liabilities	(7,453)
Exchange rate movement	(203)
Carrying amount at the end of the period	**49,649**

The value of leases not yet commenced to which the lessee is committed, which are not included in the lease liability at 30 June 2023, were €nil.

17 Business Combinations

Details of goodwill and the fair value of net assets acquired	Digital Media Management €'000	Other acquisitions €'000	**2023 €'000**
Book value:			
Property, plant and equipment	608	362	**970**
Right of use assets	5,714	383	**6,097**
Trade and other receivables - gross	3,321	2,491	**5,812**
Bad debt provision	(23)	(389)	**(412)**
Cash and cash equivalents	14,296	3,628	**17,924**
Trade and other payables	(2,458)	(787)	**(3,245)**
Lease liabilities	(5,714)	(383)	**(6,097)**
Book value of identifiable assets and liabilities acquired	15,744	5,305	**21,049**
Fair value adjustments:			
Identifiable intangible assets - Customer relationships	24,806	2,511	**27,317**
Deferred tax assets	-	5,013	**5,013**
Deferred tax liabilities	(5,594)	(527)	**(6,121)**
Total fair value adjustments	19,212	6,997	**26,209**
Net assets acquired	34,956	12,302	**47,258**
Goodwill from current year acquisitions	62,583	28,095	**90,678**
Total purchase consideration	97,539	40,397	**137,936**

Details of purchase consideration and outflows from current acquisitions			
Cash	66,218	27,923	**94,141**
Equity instruments	9,311	1,507	**10,818**
Deferred cash	-	914	**914**
Deferred consideration contingent on performance	22,010	9,732	**31,742**
Shares to be issued	-	321	**321**
Total purchase consideration	97,539	40,397	**137,936**
Related acquisition costs charged to the Consolidated statement of comprehensive income:	624	269	**893**
Number of shares:			
Shares issued on acquisition	301,170	53,482	**354,652**
Fixed number of shares to be issued	-	13,118	**13,118**
Net cash outflow arising on acquisition:			
Cash paid in the period	66,218	27,923	**94,141**
Less: cash and cash equivalent balances transferred	(14,296)	(3,628)	**(17,924)**
Net cash outflow arising on acquisition	51,922	24,295	**76,217**

Details of pro forma revenues and profitability of current acquisitions			
Pre-acquisition revenue	6,413	5,644	**12,057**
Post-acquisition revenue	6,574	6,655	**13,229**
Pro forma revenue	12,987	12,299	**25,286**
Pre-acquisition profit / (loss) before tax	1,650	(393)	**1,257**
Post-acquisition profit / (loss) before tax	492	2,166	**2,658**
Pro forma profit / (loss) before tax	2,142	1,773	**3,915**

During the period, the Group completed four acquisitions, 47 Communications, Digital Media Management, Hardsuit Labs and Playboss, purchasing 100% of these businesses. The aggregate amounts recognised in respect of the identifiable assets acquired and liabilities assumed on acquisitions completed in the period are set out in the table above. Details of the purchase consideration and other information relevant to the evaluation of the financial effect of the acquisitions are also presented.

Please note that Total purchase consideration excludes €1.2m of Deferred and contingent consideration related to continuous employment, where the purchase agreement includes deferred consideration contingent on both pre-defined profit and / or revenue targets being exceeded and which is also tied to the retention of key staff, that are considered post-acquisition expenses under IFRS 3 (note 13).

The main factors leading to the recognition of goodwill on the acquisitions are the presence of certain intangible assets in the acquired entities, which are not valued for separate recognition. These include expertise in the acquired entities, enhancing and growing our service capabilities, broadening our service offering, and extending our geographical footprint, further building out our global platform.

The goodwill that arose from business combinations completed in the period that is expected to be deductible for tax purposes was €22.2m (for which a deferred tax asset has been recognised of €5.0m).

18 Significant Events

Crisis in Ukraine

Since the crisis in Ukraine began in 2022, our priority has been to support our personnel and freelance suppliers located in the affected area, while also contributing to broader humanitarian efforts in the region. As our Group had no business operations in Ukraine, the crisis primarily impacted our Game Development teams in Russia, as well as our collaboration with several freelance suppliers based in Ukraine.

Throughout this period, we have continued to work with our customers supporting their preferences for where their work should be performed, while also remaining focused on mitigating any potential business interruption or other risks associated with our activities in Russia. As a result, the volume of work produced in Russia has continued to reduce over time and we have been scaling down our operations accordingly.

In the period, the Group produced €4.2m of Revenue in Russia, which represents approximately 1.1% of Group revenue, down from 5.5% in the half year to June 2022, and down on 3.8% in full year 2022. During the period, we continued to transfer projects supported in Russia to other parts of the Group, as we further ramped up production capacity in these locations with a combination of employees relocating from Russia and local hires. As a consequence, revenues produced in Russia were approximately 0.3% of Group revenue in June 2023. Production in Russia has now ceased. Costs of acquisition and integration includes severance and rationalisation costs of €1.5m incurred in the period, associated with ceasing operations in Russia.

The Group has never had significant receivables exposure in Russia, as work produced in Russia was contracted and collected in other territories. The Group does not have significant amounts of working capital or non-current assets located in Russia. Thus any exposure to impairment of assets located in Russia is not considered material.

19 Change in Accounting Policy

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 01 January 2023. These amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences e.g. Right of use assets and Lease liabilities. As a result for leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities on a gross basis from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

The Group previously accounted for the deferred tax on leases and decommissioning liabilities on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. There was no impact on the opening retained earnings at 01 January in any period presented, as a result of this change. The impact on deferred tax assets and liabilities in each comparative period presented, is detailed below.

	Unaudited €'000	**Unaudited €'000**	**Unaudited €'000**
	Deferred tax assets	**Deferred tax liabilities**	**Retained earnings**
At 30 June 2022 - as reported	21,786	17,016	124,788
Adoption of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	8,100	8,100	-
At 30 June 2022 - as restated	29,886	25,116	124,788

	Unaudited €'000	**Unaudited €'000**	**Unaudited €'000**
	Deferred tax assets	**Deferred tax liabilities**	**Retained earnings**
At 31 December 2022 - as reported	22,757	8,617	143,627
Adoption of Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	8,400	8,400	-
At 31 December 2022 - as restated	31,157	17,017	143,627

20 Events after the Reporting Date

During July 2023, the Group negotiated a new unsecured multi-currency revolving credit facility agreement ("RCF") of $400 million. See note 14 for further details. There have been no other significant events since the reporting date.

Alternative performance measures

The Group reports a number of alternative performance measures ("APMs") to present the financial performance of the business, that are not GAAP measures as defined under IFRS. The Directors believe that these measures, in conjunction with the IFRS financial information, provide the users of the financial statements with additional information to provide a more meaningful understanding of the underlying financial and operating performance of the Group. The measures are also used in the Group's internal strategic planning and budgeting processes and for setting internal management targets. These measures can have limitations as analytical tools and therefore should not be considered in isolation, or as a substitute for IFRS measures.

The principal measures used by the Group are set out below:

Organic revenue growth – Acquisitions are a core part of the Group's growth strategy. Organic revenue growth measures are used to help understand the underlying trading performance of the Group excluding the impact of acquisitions. Organic revenue growth is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership to provide a like-for-like comparison with the current year, and applying the prior year's foreign exchange rates to both years, when translating studio results into the euro reporting currency.

Constant exchange rates ("CER") – Given the international nature of the Group's operations, foreign exchange movements can have an impact on the reported results of the Group when they are translated into the Group's reporting currency, the euro. In order to understand the underlying trading performance of the business, revenue is also presented using rates consistent with the prior year in order to provide year-over-year comparability.

Adjusted profit and earnings per share measures – Adjusted profit and earnings per share measures are used to provide management and other users of the financial statements with a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measures:

- **Amortisation of intangible assets** – Customer relationships and music licence amortisation commences on acquisition, whereas intellectual property / development costs amortisation commences when the product is launched. These costs, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.
- **Costs of acquisition and integration** – The level of acquisition activity can vary each year and therefore the costs associated with acquiring and integrating businesses are added back to assist with the understanding of the underlying trading performance of the Group.
- **Share-based payments** – The Group uses share-based payments as part of remuneration to align the interests of senior management and employees with shareholders. These are non-cash charges and the charge is based on the Group's share price which can change. The costs are therefore added back to assist with the understanding of the underlying trading performance.
- **Foreign exchange gains and losses** – The Group does not hedge foreign currency translation exposures. The effect on the Group's results of movements in exchange rates can vary each year and are therefore added back to assist with understanding the underlying trading performance of the business.
- **Other income** – Other income comprises gains on investments or other non-trading income. As the gains have arisen outside the normal trading activities of the Group, the income has been added back to assist with the understanding of the underlying trading performance.

Free cash flow measures – The Group aims to generate sustainable cash flow (free cash flow) in order to support its acquisition programme and to fund dividend payments to shareholders. Free cash flow is measured as net cash generated by / (used in) operating activities after capital expenditure, payments of principal on lease liabilities, interest and tax payments, but before acquisition and integration cash outlay, other income and dividend payments. Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (represented by capital expenditure in excess of depreciation).

Net debt – The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as loans and borrowings less cash and cash equivalents, and excludes lease liabilities. The debt to capital ratio is calculated as net debt as a percentage of total equity.

The remainder of this section provides a reconciliation of the APMs with the relevant IFRS GAAP equivalent.

Service line analysis

The following table presents revenue growth by service line at both actual exchange rates ("AER") and constant exchange rates ("CER"). Constant exchange rates are calculated by retranslating current-year reported numbers at the corresponding 2022 foreign exchange rates, in order to give management and other users of the financial statements better visibility of underlying trading performance against the prior year.

	Half Year 30 Jun 23 Revenue AER €m	**Half Year 30 Jun 23 Revenue CER €m**	Half Year 30 Jun 22 Revenue AER €m	**Half Year 30 Jun 23 Growth AER %**	**Half Year 30 Jun 23 Growth CER %**
Create	**162.9**	**166.8**	124.3	**31.1%**	**34.2%**
Globalize	**145.7**	**148.2**	141.5	**3.0%**	**4.7%**
Engage	**74.9**	**76.2**	55.3	**35.4%**	**37.8%**
	383.5	**391.2**	321.1	**19.4%**	**21.8%**

Pro forma revenue

Pro forma revenue is calculated by adding pre-acquisition revenues of current year acquisitions to the current year revenue numbers, to illustrate the size of the Group had the acquisitions been included from the start of the financial year.

	Half Year 30 Jun 23 Revenue AER €m	**Half Year 30 Jun 23 Pre-acquisition revenue AER €m**	**Half Year 30 Jun 23 Pro forma revenue AER €m**	**Year 30 Jun 23 Pro forma revenue AER €m**
Create	**162.9**	**7.4**	**170.3**	**321.6**
Globalize	**145.7**	**-**	**145.7**	**305.0**
Engage	**74.9**	**4.7**	**79.6**	**138.6**
	383.5	**12.1**	**395.6**	**765.2**

Organic revenue at constant exchange rates

Organic revenue at constant exchange rates is calculated by adjusting the prior year revenues, adding pre-acquisition revenues for the corresponding period of ownership, and applying the 2022 foreign exchange rates to both years, when translating studio results into the euro reporting currency.

	Half Year 30 Jun 22 Revenue AER €m	Half Year 30 Jun 22 Pre-acquisition revenue AER €m	Half Year 30 Jun 22 Like for like revenue AER €m	**Half Year 30 Jun 23 Revenue growth CER €m**	**Half Year 30 Jun 23 Revenue CER €m**	**Half Year 30 Jun 23 Organic revenue growth CER %**
Create	124.3	12.3	136.6	**30.2**	**166.8**	**22.1%**
Globalize	141.5	-	141.5	**6.7**	**148.2**	**4.7%**
Engage	55.3	20.9	76.2	**-**	**76.2**	**-**
	321.1	33.2	354.3	**36.9**	**391.2**	**10.4%**

Adjusted operating costs

This comprises Administrative expenses as reported in the Consolidated statement of comprehensive income, adding back share-based payments expense, costs of acquisition and integration, amortisation of intangible assets, depreciation and impairment, non-controlling interest and deducting bank charges.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Administrative expenses	Consolidated statement of comprehensive income	**(115,855)**	(86,152)	(196,554)
Share-based payments expense	Consolidated statement of comprehensive income	**9,438**	8,940	18,678
Costs of acquisition and integration	Consolidated statement of comprehensive income	**7,335**	1,284	8,413
Amortisation of intangible assets	Consolidated statement of comprehensive income	**12,775**	7,469	16,810
Depreciation - property, plant and equipment	Note 9	**10,907**	8,790	18,365
Depreciation and impairment - right of use assets	Note 9	**7,821**	5,591	14,585
Non-controlling interest	Consolidated statement of comprehensive income	**-**	45	-
Bank charges	Note 6	**(353)**	(317)	(662)
Adjusted operating costs		**(67,932)**	(54,350)	(120,365)
Adjusted operating costs as a % of revenue		**17.7%**	16.9%	17.4%

Adjusted operating profit

The Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, and amortisation of intangible assets. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Operating profit	Consolidated statement of comprehensive income	**29,327**	39,453	71,810
Share-based payments expense	Consolidated statement of comprehensive income	**9,438**	8,940	18,678
Costs of acquisition and integration	Consolidated statement of comprehensive income	**7,335**	1,284	8,413
Amortisation of intangible assets	Consolidated statement of comprehensive income	**12,775**	7,469	16,810
Other income	Consolidated statement of comprehensive income	**-**	(1,107)	(1,098)
Adjusted operating profit		**58,875**	56,039	114,613
Adjusted operating profit as a % of revenue		**15.4%**	17.5%	16.6%

EBITDA

EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation of intangible assets, depreciation and impairment, and deducting bank charges.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Operating profit	Consolidated statement of comprehensive income	**29,327**	39,453	71,810
Amortisation of intangible assets	Consolidated statement of comprehensive income	**12,775**	7,469	16,810
Depreciation - property plant and equipment	Note 9	**10,907**	8,790	18,365
Depreciation and impairment - right of use assets	Note 9	**7,821**	5,591	14,585
Bank charges	Note 6	**(353)**	(317)	(662)
EBITDA		**60,477**	60,986	120,908

Adjusted EBITDA

Adjusted EBITDA comprises EBITDA, adjusted for share-based payments expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
EBITDA	As above	**60,477**	60,986	120,908
Share-based payments expense	Consolidated statement of comprehensive income	**9,438**	8,940	18,678
Costs of acquisition and integration	Consolidated statement of comprehensive income	**7,335**	1,284	8,413
Non-controlling interest	Consolidated statement of comprehensive income	**-**	45	-
Other income	Consolidated statement of comprehensive income	**-**	(1,107)	(1,098)
Adjusted EBITDA		**77,250**	70,148	146,901
Adjusted EBITDA as a % of revenue		**20.1%**	21.8%	21.3%

Adjusted profit before tax

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share-based payments expense, costs of acquisition and integration, amortisation of intangible assets, non-controlling interest, foreign exchange gains and losses, and unwinding of discounted liabilities. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Profit before taxation	Consolidated statement of comprehensive income	**23,189**	39,078	67,982
Share-based payments expense	Consolidated statement of comprehensive income	**9,438**	8,940	18,678
Costs of acquisition and integration	Consolidated statement of comprehensive income	**7,335**	1,284	8,413
Amortisation of intangible assets	Consolidated statement of comprehensive income	**12,775**	7,469	16,810
Non-controlling interest	Consolidated statement of comprehensive income	**-**	45	-
Foreign exchange (gain) / loss	Note 6	**1,260**	(2,412)	(1,677)
Unwinding of discounted liabilities - deferred consideration	Note 6	**1,817**	1,478	2,922
Other income	Consolidated statement of comprehensive income	**-**	(1,107)	(1,098)
Adjusted profit before tax		**55,814**	54,775	112,030
Adjusted profit before tax as a % of revenue		**14.6%**	17.1%	16.2%

Adjusted effective tax rate

The Adjusted effective tax rate is the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax, as a percentage of the Adjusted profit before tax.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Adjusted profit before tax	As above	**55,814**	54,775	112,030
Taxation	Consolidated statement of comprehensive income	**8,669**	10,937	20,612
Effective tax rate before tax on adjusting items	Taxation / Adjusted profit before tax	**15.5%**	20.0%	18.4%
Tax arising on bridging items to Adjusted profit before tax^		**3,464**	1,092	4,043
Adjusted taxation		**12,133**	12,029	24,655
Adjusted effective tax rate	Adjusted taxation / Adjusted profit before tax	**21.7%**	22.0%	22.0%

^Being mainly the tax impact of share-based payments expense €1.5m and amortisation of intangible assets €1.9m, with the prior period being mainly the tax impact of share-based payments expense €0.9m, amortisation of intangible assets €0.9m, less foreign exchange €0.9m.

Adjusted earnings per share

The Adjusted profit after tax comprises the Adjusted profit before tax, less the Taxation expense as reported in the Consolidated statement of comprehensive income, adjusted for the tax impact of the adjusting items in arriving at Adjusted profit before tax.

The Adjusted earnings per share comprises the Adjusted profit after tax divided by the non-diluted weighted average number of shares as reported in note 7.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Adjusted profit before tax	As above	**55,814**	54,775	112,030
Taxation	Consolidated statement of comprehensive income	**(8,669)**	(10,937)	(20,612)
Tax arising on bridging items to Adjusted profit before tax^		**(3,464)**	(1,092)	(4,043)
Adjusted profit after tax		**43,681**	42,746	87,375
Denominator (weighted average number of equity shares)	Note 7	**78,558,801**	76,478,194	76,979,596
		€ c	€ c	€ c
Adjusted earnings per share		**55.60**	55.89	113.50
Adjusted earnings per share % growth		**(0.5%)**	34.4%	27.2%

^Being mainly the tax impact of share-based payments expense €1.5m and amortisation of intangible assets €1.9m, with the prior period being mainly the tax impact of share-based payments expense €0.9m, amortisation of intangible assets €0.9m, less foreign exchange €0.9m.

Return on capital employed (ROCE)

ROCE represents the Adjusted profit before tax (excluding net interest costs, unwinding of discounted lease liabilities and bank charges, and also adjusted to include pre-acquisition profits of current-year acquisitions), expressed as a percentage of the capital employed. As the Group continues to make multiple acquisitions each year, the calculation further adjusts the Adjusted profit before tax and the capital employed as if all the acquisitions made during each year were made at the start of that year. In order to present the measure consistently, the half year adjusted profits are presented on a rolling 12 month basis.

Capital employed represents Total equity as reported on the Consolidated statement of financial position, adding back employee defined benefit plan liabilities, cumulative amortisation of intangible assets (customer relationships), acquisition-related liabilities (deferred and contingent consideration), together with loans and borrowings, while deducting cash and cash equivalents.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Adjusted profit before tax	As above	**55,814**	54,775	112,030
Interest received	Note 6	**(154)**	(102)	(309)
Bank charges	Note 6	**353**	317	662
Interest expense	Note 6	**2,231**	629	1,261
Unwinding of discounted liabilities - lease liabilities	Note 6	**631**	465	969
Pre-acquisition profits of current year acquisitions	Note 17	**1,257**	-	1,601
Adjusted profit before tax including pre-acquisition profit excluding interest for the period		**60,132**	56,084	116,214
Rolling 12 month adjustment		**60,130**	48,115	-
Adjusted profit before tax including pre-acquisition profit and excluding net interest		**120,262**	104,199	116,214
Total equity	Consolidated statement of financial position	**594,639**	530,329	557,091
Employee defined benefit plans	Consolidated statement of financial position	**3,601**	3,270	2,861
Cumulative amortisation of intangibles assets (customer relationships)		**67,490**	51,087	58,301
Deferred and contingent consideration	Note 13	**76,644**	44,027	63,253
Loans and borrowings	Note 14	**55,215**	95	51
Cash and cash equivalents	Consolidated statement of financial position	**(43,804)**	(121,395)	(81,886)
Capital employed		**753,785**	507,413	599,671
Return on capital employed	Adjusted profit before tax including pre-acquisition profit and excluding net interest expense / capital employed	**16.0%**	20.5%	19.4%

Free cash flow

Free cash flow represents Net cash generated by / (used in) operating activities as reported in the Consolidated statement of cash flows, adjusted for acquisition and integration cash outlay, capital expenditure, net interest paid, payments of principal on lease liabilities and is presented both before and after taxation paid. In order to present the measure consistently year-on-year, the impact of other income is also excluded.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Net cash generated by / (used in) operating activities	Consolidated statement of cash flows	**28,905**	40,565	124,286
Acquisition and integration cash outlay:				
Costs of acquisition and integration	Consolidated statement of comprehensive income	**7,335**	1,284	8,413
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	**-**	-	(2,282)
Non-cash movements in Deferred and contingent consideration related to continuous employment		**(4,332)**	-	(3,000)
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**(18,799)**	(9,997)	(27,007)
Investment in intangible assets	Consolidated statement of cash flows	**(1,325)**	(178)	(501)
Other income	Consolidated statement of comprehensive income	**-**	(1,107)	(1,098)
Interest received	Consolidated statement of cash flows	**154**	102	309
Interest paid	Consolidated statement of cash flows	**(2,376)**	(878)	(1,797)
Payments of principal on lease liabilities	Consolidated statement of cash flows	**(6,822)**	(5,453)	(11,361)
Free cash flow after tax		**2,740**	24,338	85,962
Taxation paid	Consolidated statement of cash flows	**7,913**	6,181	17,505
Free cash flow before tax		**10,653**	30,519	103,467

Adjusted free cash flow

Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (as measured by capital expenditure in excess of maintenance capital expenditure).

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Free cash flow before tax	As above	**10,653**	30,519	103,467
Capital expenditure in excess of depreciation:				
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**18,799**	9,997	27,007
Depreciation - property, plant and equipment	Consolidated statement of cash flows	**(10,907)**	(8,790)	(18,365)
Capital expenditure in excess of depreciation		**7,892**	1,207	8,642
Adjusted free cash flow		**18,545**	31,726	112,109

Adjusted cash conversion rate

The Adjusted cash conversion rate is the Adjusted free cash flow as a percentage of the Adjusted profit before tax:

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Adjusted free cash flow	As above	**18,545**	31,726	112,109
Adjusted profit before tax	As above	**55,814**	54,775	112,030
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	**33.2%**	57.9%	100.1%

Net debt

The Group manages capital by monitoring debt to capital and net debt ratios. Net debt is calculated as Loans and borrowings (as shown in the Consolidated statement of financial position) less Cash and cash equivalents, and excludes Lease liabilities.

Calculation		**Half Year 30 Jun 23 €'000**	Half Year 30 Jun 22 €'000	Year 31 Dec 22 €'000
Loans and borrowings	Consolidated statement of financial position	**55,215**	95	51
Cash and cash equivalents	Consolidated statement of financial position	**(43,804)**	(121,395)	(81,886)
Net debt / (net cash) position		**11,411**	(121,300)	(81,835)