18 September 2018

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

Half year results for the six months to 30 June 2018

An excellent performance and a strengthened services platform

Keywords Studios, the international technical services provider to the global video games industry, today provides its half year results for the six months to 30 June 2018.

Financial overview:

- Revenue, including contribution from acquisitions, increased by 72% to €110.0m (H1 2017: €63.8m)
  - On a constant currency basis, revenue would have been up by 84% to €117.5m
- 2% increase in like for like** revenue; 8.6% increase on a like for like constant currency basis
- Gross profit margin increased to 37.4% (H1 2017: 35.6%)
- Adjusted profit before tax* was up 67% to €16.0m (H1 2017: €9.6m)
- Adjusted earnings per share* were up 53% to 20.1c (H1 2017: 13.2c)
- Net cash of €0.1m (H1 2017: €1.1m; FY 2017: €11.1m) after €10.6m of net cash outlay on acquisitions
- 10% increase in interim dividend to 0.53p per share (H1 2017: 0.48p)

Operational overview:

- VMC has been successfully integrated with our margin improvement plan ahead of schedule
- Continued to invest in the development of the Group:
  - Expansion of studios in response to demand including investing €3.8m in new or expanded facilities in Montreal, Dublin, London, Liverpool, Madrid, Katowice, New Delhi, Chengdu, Manila and Tokyo, providing a total of 660 additional workstations
  - Acquisition of Maximal, adding further scale to our Audio capabilities in South American markets, in March
  - Acquisition of Cord and Laced, which extended our Audio offering in to the provision of composed or licenced music for use in games and other media, in April
  - Acquisition of Fire Without Smoke, which provides a suite of marketing services to game publishers and developers, in May
  - Acquisition of Blindlight, which provides Hollywood based talent resources and services, in June
  - Launch of Keywords Ventures, to invest in innovative technologies and services that can leverage Keywords' reach in the games market and that will benefit clients; first investment in automated app testing solution for GDPR compliance, AppSec Test, in June
- New revolving credit facility secured for up to €105m
- Further cross selling progression with 19% increase in clients using three or more services to 100 (H1 2017: 84)

Post period end, current trading and outlook:

- Further investment in operational capacity and Group infrastructure to support growth in future periods:
  - Announced separately today:
    - Acquisition of TrailerFarm, a Brighton, UK based creator of video game trailers for a total consideration of up to £2m
    - Hiring of a leading Hollywood based sound effects team of 7 people, SoundLab, bringing world-class audio design and production services for games, film and TV to our Audio service line
  - Acquisition of Studio Gobo and Electric Square, both in Brighton, UK, enhancing our game development services in both scale and expertise, in August
  - Acquisition of Tokyo, Japan based Yokozuna Data, developer of machine learning and AI technology bringing industry leading capabilities in video game analytics for live operations, in July
  - Acquisition of Snowed In, in July adding strength to our Engineering service line and access to talent in Ottawa, Canada.
  - Further strengthened the senior management team with the appointment of a Chief Commercial Officer, Chief Marketing Officer, Global Operations Director and Engineering Service Line Director, all newly created positions

Outlook

- Selectively reviewing a strong acquisition pipeline
- Trading in the second half has been good and we expect to meet market expectations for the full year before the positive impact of any additional acquisitions

* *before acquisition and integration expenses of €2m (H1 2017: €0.5m), share option charges of €0.8m (H1 2017: €0.4m), amortisation of intangibles of €3.1m (H1 2017: €1.2m) and foreign currency gain/(loss) of €0.8m (H1 2017: (€1.96m))*

** *calculated on the basis that the H1 2017 comparative includes all of the 2017 and 2018 acquisitions as if they had been owned for the same period in 2017 as they have been in 2018.*

Andrew Day, Chief Executive of Keywords Studios, commented:

"In a period in which the gaming phenomenon, Fortnite, had a significant impact on the games market and in which the US dollar which represented 54% of our revenues declined by 12% compared to the same period in 2017, we have none the less delivered yet another strong set of results for the first six months of 2018 as we continue to deepen and broaden the business for the future.

"Our continued organic investment and acquisitions have extended our geographical reach, added further scale to our existing service lines, and broadened the range of capabilities we can offer our clients to include co-development, analytics, music, marketing services and sound effects.

"We are particularly pleased with our performance in respect of acquisitions and their subsequent integration. Our largest acquisition to date, VMC, which was absorbed into the Group with a track record of reducing revenues and an operating margin of 9.1% in October 2017, has been fully integrated and the resulting synergies are already significantly enhancing operating margins as can be seen by the overall group profit margin of 14.5%. We are confident of being able to return it to revenue growth in the near to medium term.

"The games market is starting to focus on the prospect of games being streamed and played live across all connected devices. Advances in technology and increases in internet bandwidth including the forthcoming 5G mobile networks and the resultant reduction in latency of communications could enable streaming of games for the first time which we believe will drive record demand for gaming content. We are excited by the prospect of assisting the industry in creating and repurposing content for this new medium over the coming years and Keywords is already working on interactive streaming content and porting games to upcoming streaming platforms.

"Our focus on organic and acquisition led growth is being maintained and we continue to invest in additional talent and better facilities as well as in acquisitions of synergistic businesses as we build our global games services platform and lead the consolidation of a highly-fragmented market."

A presentation of the half year results will be made to analysts later this morning at MHP's offices. There will also be a live, listen only webcast of the presentation and a recording will be made available via www.keywordsstudios.com. To register for access, please contact Charles Hirst at MHP Communications on +44 20 3128 8193 or email keywords@mhpc.com.

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Notes to Editors

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with 50 facilities in 20 countries strategically located in Asia, the Americas and Europe, it provides integrated art creation, software engineering, testing, localisation, audio and customer care services across more than 50 languages and 16 games platforms to a blue-chip client base of approximately 650 clients across the globe. It has a strong market position, providing services to 23 of the top 25 most prominent games companies, including Activision Blizzard, Bandai Namco, Bethesda, Electronic Arts, Epic Games, Konami, Riot Games, Sony, Square Enix, Supercell, TakeTwo and Ubisoft. Recent titles worked on include Uncharted 4: A Thief's End, Call of Duty: WWII, Mortal Combat X, Assassin's Creed Origins, Battlefield 1, League of Legends, Fortnite, Clash Royale and Rainbow Six-Siege. Keywords Studios is listed on AIM, the London Stock Exchange regulated market (KWS.L).

Introduction

An excellent performance and a strengthened services platform

The first half of the financial year has seen the Group deliver another period of strong growth. We have made investments in expanding our existing businesses, as well as further acquisitions that have extended the Group's service offering and geographic reach, positioning the business well to face the increasing demand for outsourced services within the video games industry.

Delivering on Our Strategy

We continue to execute well in pursuit of our strategy to build the world's leading technical services platform focused on the most complex of interactive content - video games.

We operate in a service provision market which remains highly fragmented despite the scale and global nature of the major video games publishers and developers. There is a clear trend towards those clients outsourcing a greater proportion of their games development, and in-game support, in order to manage the demands for increasingly sophisticated content whilst limiting their fixed costs.

The key pillars of our strategy are to grow organically and by acquisition to extend the Group's service capacity, capabilities and geographical reach - where we seek to gain access to markets for the best talent or to be close to our clients. By generating synergies across our expanding multi-service global platform, we are increasingly becoming a strategically relevant partner to our customers.

In line with our strategy, we continued to invest in the business in the first half with four acquisitions, of Maximal, Cord and Laced, Fire Without Smoke and Blindlight. These have added further scale to our audio capabilities in the South American markets; provided a first step into the market for music services; added a range of marketing services; an d increased our services to include Hollywood based voice over and script writing services. All have served to further position the Group as the leading global player in the outsourced services market by strengthening our capacity and the breadth of the value-added services we are able to offer our clients.

We have also made good progress with integrating prior period acquisitions, all of which are making good contributions to the Group. The Group's largest acquisition to date, VMC, completed on 27 October 2017 and has been well integrated with the rest of the Group, and cost synergies are leading to improved operating margins ahead of our original plans.

Since the period end, we have further enhanced our services platform through the acquisitions of Snowed In, Yokozuna Data, Studio Gobo and Electric Square, and TrailerFarm. These have, respectively, added strength and scale to our Engineering service line; brought industry leading technology and capabilities in video game analytics, enhanced our game development services in both scale and expertise, and extended our presence in marketing services and video game trailer production.

Organic Growth and Investment

In the seasonally weaker first half of the year, like for like revenues were up by 8.6% after adjusting for currency movements.

We have continued to invest in both expanding our operational capacity and enhancing the Group's infrastructure to support growth in future periods and respond to customer demand. We have invested in people, systems and marketing including strengthening the senior management team with the hiring of a Chief Marketing Officer, and the appointments of an Engineering Service Line Director, Global Operations Director and a Chief Commercial Officer - all newly created positions. We continue to develop our IT and finance functions as well as enhancing our branding. The second half of 2017 and the first half of 2018 also saw us invest substantially in the expansion of the Group's facilities in Montreal, Dublin, London, Liverpool, Madrid, Katowice, New Delhi, Chengdu, Manila and Tokyo, which are now providing additional capacity to support the higher levels of activity we were expecting and are now experiencing in the second half.

The acquisitions and organic investments made to date leave us better placed than ever to support our video game developers and publishers from the very early concept stages of game design through to launch and live operations phases.

We are seeing growing demand for co-development and full game development services as well as the continued trend towards outsourcing more broadly and we look forward to a strong second half to the year and to the opportunities this demand presents in the longer term.

Financial overview

The Group has continued to demonstrate its ability to execute and integrate acquisitions well. A very strong performance in this aspect of the Group's strategy has led to Group revenues increasing by 72% to €110.0m (H1 2017: €63.8m).

The gross profit margin of 37.4% (H1 2017: 35.6%) was stronger than the comparative period and prior year (FY 2017: 36.4%).

Operating expenses increased in the first half of the year to €24.7m (H1 2017: €12.8m) reflecting the costs of the acquired entities and investments made in existing and new facilities and in strengthened management and support personnel. However, cost management remains a point of focus across the Group's activities as we drive synergies across the enlarged group.

One-off costs of acquiring and integrating the newly acquired companies of €2.0m (H1 2017: €0.5m) were incurred in the period. Included in net finance costs is a translational foreign exchange gain of €0.8m (H1 2017: €1.96m loss) in the first half of the current year which is primarily due to the effect of translating net current assets held in foreign currencies.

Adjusted profit before tax and acquisition-related costs, share option charges, amortisation of intangibles and foreign currency movements for the first half of the current financial year increased by 60% to €16.0m (H1 2017: €9.6m). After these items, the Group reported a profit before tax for the period of €10.8m (H1 2017: €5.5m).

The estimated tax charge in the period is €3.0m (H1 2017: €2.0m), representing an effective tax rate on the adjusted profit of 19.3% which is a reduction on the rate for 2017 (FY 2017: 20.5%, H1 2017: 21.1%).

Adjusted earnings per share (before tax and acquisition-related costs, share option charges, amortisation of intangibles and foreign currency movements) were up 53% to €20.1c (H1 2017: €13.2c) following an increase in the average number of shares in issue. Basic earnings per share were up 99% to €12.1c (H1 2017: €6.08c). The denominator used for these calculations includes the shares which will be issued to the sellers of Red Hot, Around the Word, Sperasoft, Cord and Laced, Fire Without Smoke and Blindlight.

In spite of a combination of the increased trading in the second quarter and the Group entering a traditionally busy third quarter, where the Group has its maximum cash requirement for the year, the Group generated a net inflow of cash from operations of €4.0m (H1 2017: €2.3m). In the period, the Group completed five acquisitions with a net cash outflow on consideration of €10.6m (H1 2017: €6.7m). To help fund acquisitions and general working capital requirements the Group successfully secured a syndicated credit facility, with Barclays Bank plc, HSBC Bank plc and Lloyds Banking Group plc for up to €105m. Investment in fixed assets amounted to €3.8m (H1 2017: €1.8m), reflecting the cost of increasing capacity in several studios and a continued refresh of IT equipment.

Operational review

Following acquisitions during the first half and prior periods, Keywords continues to diversify geographically with a well balanced portfolio of services: Art Creation services represented 16% of group revenues, Audio services represented 12%, Localisation services represented 20%, Functional Testing represented 21%, Localisation Testing represented 9%, Player Support (formerly called Customer Support) services represented 14% and the relatively new Engineering service line represented 8% in the first half.

In assessing the like for like performances of these service lines, it should be noted that currency movements had a material impact in the first half, in particular the weakening of the US dollar, in which approximately 54% of the Group's revenues were denominated, by 12% against the Euro between H1 2017 and H1 2018. To provide a picture of the underlying performance of the business during the period, the Group also assessed the like for like growth on the service lines excluding foreign exchange impacts on revenues.

Art Creation (16% of group revenues in H1 2018)
Our Art Creation service line creates graphical art assets for inclusion in video games including concept art creation, 2D and 3D art asset production and animation.

Art Creation revenues grew by 47% to €18.1m (H1 2017: €12.4m) with the benefit of contributions from 2017 Acquisitions, Spov, Red Hot and Sperasoft, and Fire Without Smoke, acquired in 2018. On a like for like basis, Art Creation revenues were 3% less than H1 2017 (Foreign exchange adjusted; +4.0% growth).

Following the acquisition of Sperasoft in December 2017, we finished the first half with 1,199 artists on our payroll (H1 2017: 927) of which 1,081 are in India, China, and Russia based in our studios in Lakshya, Mindwalk, Red Hot and Sperasoft. Through Liquid Development, Volta, SPOV and Fire Without Smoke, we manage further pools of freelance artists. These acquisitions and our talent base make Keywords the leading global player in the outsourced art services market, in terms of capacity as well as breadth and depth of service.

Audio Services (12% of group revenues in H1 2018)
Our Audio service line provides multi language voice-over, original language voice recording, music and related services.

Audio revenues rose by 61% in the period to €13.6m (H1 2017: €8.4m), with the benefit of contributions from the recent acquisitions of Cord, Laced and Blindlight in 2018, and the French acquisitions, La Marque Rose, Asrec, Around the Word and Dune Sound in 2017. On a like for like basis revenues were down 2% year on year (foreign exchange adjusted, +2%) as larger audio projects fell into H2 2018.

The acquisitions of Cord and Laced in the UK expanded our Audio services offering into music focused branding and strategic consulting services and, together with Blindlight's expertise in Hollywood production, further enhance our reputation as the leading provider of services to the global video games industry.

The acquisition of Maximal adds further scale to our audio capabilities in the South American markets, providing us with our first recording studio in Sao Paulo to complement our established business in Rio de Janeiro

The focus in H1 2018 was to consolidate the Audio offering in France and expand the Audio offering through the acquisitions of Blindlight, Cord and Laced as we prepare for this year's high season for voice over recording between July and November.

Localisation (20% of group revenues in H1 2018)
Our Localisation service line provides translation of in-game text, audio scripts, cultural and local adaptation, packaging and marketing materials.

Localisation revenues grew by 13% to €21.4m (H1 2017: €19.0m) with the benefit of contributions from entities acquired in 2017, including the French acquisitions, VMC and XLOC.

On a like for like basis, Localisation revenues have grown by 5% (foreign exchange adjusted 9%) as this service line delivered sustained growth as it benefits from the trend towards continuous content generation in the games industry.

Functional Testing (21% of group revenues in H1 2018)
Our Functional Testing service line provides quality assurance including the discovery and documentation of game defects and testing to verify that games comply with console manufacturers' specifications.

The acquisition of VMC in late October 2017 has had a significant impact on revenues from this service line. Functional testing revenues increased accordingly by 110% to €23.0m (H1 2017: €11.0m). Like for like revenues were flat year on year (foreign exchange adjusted; increased by 7%).

Localisation Testing (9% of group revenues in H1 2018)
Our Localisation Testing service line identifies out of context translations, truncations, overlaps, spelling, and grammar, age rating issues, cultural issues and tests for console manufacturer compliance requirements in over 30 languages using native speakers.

Localisation Testing revenue increased by 10% to €9.6m (H1 2017: €8.7m), with the benefit of a contribution from the acquisition of VMC. On a like for like basis, Localisation Testing was 6% lower compared to H1 2017 (foreign exchange adjusted; was down 1%). We typically expect localisation testing to see a higher level of activity in the second half of the year and are encouraged by current volumes and a good pipeline of activity.

Player Support (14% of group revenues in H1 2018)
Our Player Support service line (formerly called Customer Support) provides multi-lingual, cost effective and flexible customer care services including managing communities of gamers across all forms of social media, within the games themselves and on the official game forums.

As with Functional Testing, the acquisition of VMC in late October 2017 has had a significant impact on revenues from this service line. Player Support sales increased accordingly by 302% to €15.3m in the first half (H1 2017: €3.8m). Like for like revenue was up 15% year on year (foreign exchange adjusted was 26%).

The focus in 2018 to date has been to stabilise VMC revenue flows in this significant addition to Keywords business, and to achieve our margin expectations. To date, the Group has delivered on these goals.

Engineering (8% of group revenues in H1 2018)
Our Engineering service line provides outsourced software engineering and game development services to publishers and developers. The Group continues to grow the Engineering service line organically and through acquisition.

There was significant growth from a relatively low base in the Engineering service line to €8.8m for the half year (H1 2017: €0.5m), as the Group benefitted from the acquisitions of Engineering and Co-Development Studios, including GameSim, d3t and Sperasoft, in 2017, and since the H1 2018 period end, Yokozuna Data, Snowed In, Studio Gobo and Electric Square. Like for like revenue increased 5% year on year (foreign exchange adjusted +16%).

Dividends

The Board is pleased to announce a 10% increase in its interim dividend payment, in line with its progressive dividend policy. The interim dividend of 0.53p per share will be paid on 26 October 2018 to shareholders on the register on 5 October 2018 and will go ex-dividend on 4 October 2018. The interim dividend payment will absorb approximately €0.4m of cash resources.

People

In July, we further strengthened our senior management team structure in support of our continued growth.

Igor Efremov, formerly CEO of Sperasoft was appointed to the new role of Chief Commercial Officer. In this new position, Igor leads the seven global Service Lines of Keywords and global Business Development. He is responsible for execution and implementation of the Group's growth strategy, production efficiency and quality of services.

Giacomo Duranti, our Chief Operations Officer, retains responsibility for global operations, IT, Legal and M&A execution and has now taken on the additional leadership of Human Resources and the Regional, Country and Studio Management organisation. Giacomo's team will be enhanced with the support of Mark Rizzo's appointment to the new role of Global Operations Director to help implement our strategy for support and growth across the entire Keywords group. As part of his new role, Mark has taken on the leadership of Group IT.

Andrew Brown was appointed to the newly created role of Chief Marketing Officer. In this role he brings together Corporate Marketing and PR across the Group, advising on pricing and branding strategies. He also now leads our Keywords Ventures business alongside an investment committee, comprised of senior members of the Keywords executive team, many of whom have started and run their own businesses and have technical backgrounds.

Finally, Jamie Campbell, who joined the Group through the acquisition of d3t Ltd in October 2017, has been appointed to the role of Service Line Director for Engineering.

These changes and additions to our leadership team add capability and capacity as we continue to develop our global video games services platform. Welcoming companies into the Keywords family and ensuring they have the opportunity to influence our continued growth is an important part of our success. This is something we pride ourselves on and it is pleasing to see this being reflected so strongly in these changes.

The average number of employees across the Group has grown to 4,934 (H1 2017: c. 2730) and our continued growth and reputation for consistently delivering good quality service to demanding deadlines is testament to the Keywords culture and the skills and commitment of Keywords' talented and games-passionate employees and collaborators. On behalf of the Board and shareholders we would like to thank everyone involved for their valuable contribution to the continued success of the Group.

Current trading and outlook
Our progress so far in the second half has been very encouraging, with increased activity levels in the period to date in line with the Board's expectations.

We have made significant investments in enlarged and improved facilities, which are now providing additional capacity to support the higher levels of activity in the second half in response to the seasonal and structural increases in the demand we are seeing from our customers.

We have also invested in senior and mid-level management to support our organic growth in the second half and beyond and we have continued to make selective acquisitions which have added to the breadth of our service capabilities for our clients.

With the benefits of a full six months contribution from first half acquisitions, a healthy pipeline of activity and expanded capacity to deliver it, and a strengthening US dollar, we anticipate a strong second half performance in line with current market expectations for the full year.

Overall, we believe that there is a clear opportunity for Keywords to continue to extend its existing relationships with many of the major games companies both through providing additional services to existing customers and through providing dedicated outsourced services. We maintain a strong acquisition pipeline and we continue to review selective acquisitions opportunities that could add capacity and further extend our service offering or geographical penetration.

Interim consolidated statement of comprehensive income

	Note	**Unaudited 26 weeks ended 30 Jun 18 €'000**	**Unaudited 26 weeks ended 30 Jun 17 €'000**	**Audited 52 weeks ended 31 Dec 17 €'000**
Revenues	4	**109,951**	63,760	151,430
Cost of sales		**(68,791)**	(41,062)	(96,345)
Gross profit		**41,160**	22,698	55,085
Share option expense	14	**(835)**	(416)	(1,426)
Costs of acquisition and integration		**(2,006)**	(461)	(3,016)
Amortisation of intangible assets		**(3,095)**	(1,223)	(3,038)
Items excluded from adjusted profit measures		**(5,936)**	(2,100)	(7,480)
Other administration expenses		**(24,742)**	(12,782)	(31,170)
Administrative expenses		**(30,678)**	(14,882)	(38,650)
Operating profit		**10,482**	7,816	16,435
Financing income	6	**859**	55	26
Financing cost	6	**(503)**	(2,356)	(4,467)
Profit before taxation		**10,838**	5,515	11,994
Tax expense	7	**(3,088)**	(2,025)	(4,731)
Profit after tax		**7,750**	3,490	7,263
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Exchange gains / (loss) on capital investments		**834**	-	(893)
Actuarial loss on defined benefit		**(40)**	(35)	(25)
Items that may be reclassified subsequently to profit or loss				
Exchange gains / (loss) on translation of foreign operations		**6**	(1,191)	(3,598)
Total comprehensive income:		**8,550**	2,264	2,747
Profit for the period attributable to:				
Owners of the parent		**7,750**	3,490	7,263
Non-controlling interest		**-**	-	-
		7,750	3,490	7,263
Total comprehensive income attributable to:				
Owners of the parent		**8,550**	2,264	2,747
Non-controlling interest		**-**	-	-
		8,550	2,264	2,747
Earnings per share		**€ cent**	€ cent	€ cent
Basic earnings per ordinary share (€ cent)	9	**12.10**	6.08	12.37
Diluted earnings per ordinary share (€ cent)	9	**11.62**	5.83	11.87

The notes on pages 15 to 38 form an integral part of these consolidated financial statements.

Interim consolidated statement of financial position

	Unaudited 26 weeks ended 30 Jun 18	**Unaudited 26 weeks ended 30 Jun 17**	**Audited 52 weeks ended 31 Dec 17**

	Note	€'000	€'000	€'000
Non-current assets				
Property, plant and equipment		**11,422**	5,951	10,111
Goodwill	11	**124,416**	52,748	109,007
Intangible assets	12	**27,201**	8,805	23,548
Investments in Associates	16	**114**	-	-
Deferred tax assets		**1,265**	1,329	1,206
		164,418	68,833	143,872
Current assets				
Trade receivables		**36,226**	18,766	27,473
Other receivables		**30,118**	10,505	22,335
Cash and cash equivalents		**32,184**	14,482	30,374
		98,528	43,753	80,182
Total assets		**262,946**	**112,586**	**224,054**
Equity				
Share capital	10	**760**	670	737
Share capital - To Be Issued		**10,565**	6,807	11,739
Share premium		**102,158**	19,186	102,054
Merger reserve		**35,290**	27,922	28,878
Foreign exchange reserve		**(2,664)**	(204)	(3,504)
Treasury shares held in EBT		**(1,997)**	(2,047)	(1,997)
Share option reserve		**3,362**	1,646	2,545
Retained earnings		**27,694**	17,199	20,679
		175,168	71,179	161,131
Non-controlling interest		**-**	-	-
Total equity		**175,168**	71,179	161,131
Current Liabilities				
Trade payables		**7,268**	5,408	7,310
Other payables		**33,676**	14,193	23,005
Loans and Borrowings	13	**32,084**	13,043	18,943
Corporation tax liabilities		**2,877**	3,058	3,245
		75,905	35,702	52,503
Non-current liabilities				
Other payables		**1,035**	930	1,233
Employee Defined Benefit		**1,233**	1,025	1,055
Loans and Borrowings	13	**45**	311	337
Deferred tax liabilities		**9,560**	3,439	7,795
		11,873	5,705	10,420
Total equity and liabilities		**262,946**	**112,586**	**224,054**

The notes on pages 15 to 38 form an integral part of these consolidated financial statement

Consolidated Statement of Changes in Equity

	Share capital	Shares to be issued	Share premium	Merger reserve	Foreign exchange reserve	Treasury shares held in EBT	Share option reserve	Retained earnings	Total attributable to equity holders of parent	Non Controlling Interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2017	**654**	**8,792**	**19,983**	**22,109**	**987**	**(1,434)**	**1,305**	**14,308**	**66,704**	**0**	**66,704**
Profit - 1st January 2017 to 30th June 2017	-	-	-	-	-	-	-	3,490	3,490	-	3,490
Other comprehensive income	-	-	-	-	(1,191)	-	-	(35)	(1,226)	-	(1,226)
Total comprehensive income for the period	-	-	-	-	(1,191)	-	-	3,455	2,264	-	2,264
Contributions by and contributions to the owners:											
Share option expense	-	-	-	-	-	-	341	-	341	-	341
Share Options Exercised	-	-	-	-	-	(613)	-	-	(613)	-	(613)
Dividends paid	-	-	-	-	-	-	-	(563)	(563)	-	(563)
Shares issued upon acquisition - Xloc Inc	-	-	-	184	-	-	-	-	184	-	184
Shares issued upon acquisition - GameSim Inc	2	-	-	1,392	-	-	-	-	1,394	-	1,394
Shares Issued on deferred settlement with Synthesis Group	14	(3,453)	0	3,439	0	-	0	-	1	-	1
Shares to be issued (Red Hot Acquisition)	-	1,468	-	-	-	-	-	-	1,468	-	1,468
Reclassification of share premium on acquisitions to distributable reserves	-	-	(798)	798	-	-	-	-	-	-	-
						-					
Contributions by and contributions to the owners	16	(1,985)	(798)	5,813	0	(613)	341	(563)	2,211	-	2,211
Balance at 30 June 2017	**670**	**6,807**	**19,185**	**27,922**	**(204)**	**(2,047)**	**1,646**	**17,199**	**71,179**	**-**	**71,179**
Profit - 1st July 2017 to 31st December 2017	-	-	-	-	-	-	-	3,773	3,773	-	3,773
Other comprehensive income	-	-	-	-	(3,300)	-	-	10	(3,290)	-	(3,290)
Total comprehensive income for the period	-	-	-	-	(3,300)	-	-	3,783	483	-	483
Contributions by and contributions to the owners:											
Shares issued for cash	61	-	82,261	-	-	-	-	-	82,322	-	82,322

Share option expense	-	-	-	-	-	-	899	-	899	-	899
Share Options Exercised	6	-	608	-	-	50	-	-	664	-	664
Dividends paid	-	-	-	-	-	-	-	(304)	(304)	-	(304)
Shares issued upon acquisition - Xloc Inc	(0)	-	-	-	-	-	-	-	(0)	-	(0)
Shares issued upon acquisition - GameSim Inc	-	-	-	-	-	-	-	0	0	-	0
Shares issued upon acquisition - Lola	-	-	-	168	-	-	-	-	168	-	168
Shares issued upon acquisition - D3T	-	-	-	686	-	-	-	-	686	-	686
Shares issued upon acquisition - Asrec	-	-	-	101	-	-	-	-	101	-	101
Shares Issued on deferred settlement with Synthesis Group	-	-	-	-	-	-	-	0	0	-	0
Shares to be issued (Red Hot Acquisition)	-	(1)	-	-	-	-	-	0	(1)	-	(1)
Shares to be issued (Sperasoft Acquisition)	-	4,133	-	0	-	-	-	-	4,133	-	4,133
Shares to be issued (Around The Word & Dune Sound Acquisition)	-	800	-	0	-	-	-	-	800	-	800
Reclassification of share premium on acquisitions to distributable reserves	-	-	-	0	-	-	-	-	0	-	0
						-					
Contributions by and contributions to the owners	67	4,932	82,869	956	-	50	899	(303)	89,469	-	89,469
Balance at 31 December 2017	**737**	**11,739**	**102,054**	**28,878**	**(3,504)**	**(1,997)**	**2,545**	**20,679**	**161,131**	**-**	**161,131**
Profit - 1st January 2018 to 30th June 2018	-	-	-	-	-	-	-	7,750	7,750	-	7,750
Other comprehensive income	-	-	-	-	840	-	-	(40)	800	-	800
Total comprehensive income for the period	-	-	-	-	840	-	-	7,710	8,550	-	8,550
Contributions by and contributions to the owners:									-		-
Share option expense	-	-	-	-	-	-	817	-	817	-	817
Share options Exercised	3	-	104	-	-	-	-	-	107	-	107
Shares Issued re Synthesis Group Acquisition	15	(3,453)	-	4,533	-	-	-	-	1,095	-	1,095
-	-	-	-	-	-	-	-	-	-	-	-
Shares Issued re Mindwalk Acquisition	6	(1,886)	-	1,880	-	-	-	-	(0)	-	(0)
-	-	-	-	-	-	-	-	-	-	-	-
Shares to be issued - Cord Worldwide Limited	-	1,146	-	-	-	-	-	-	1,146	-	1,146
Shares to be issued - Laced Music Limited	-	143	-	-	-	-	-	-	143	-	143
Shares to be issued - Fire Without Smoke Limited	-	1,549	-	-	-	-	-	-	1,549	-	1,549
Shares to be issued - Blindlight Inc	-	1,327	-	-	-	-	-	-	1,327	-	1,327
Dividends paid (Note 8)	-	-	-	-	-	-	-	(696)	(696)	-	(696)
Contributions by and contributions to the owners	23	1,174	104	6,413	-	-	817	696	5,487	-	5,487
Balance at 30 June 2018	**760**	**10,565**	**102,158**	**35,290**	**(2,664)**	**(1,997)**	**3,362**	**27,694**	**175,168**	**-**	**175,168**

Interim consolidated statement of Cash Flow

	Note	Unaudited 26 weeks ended 30 Jun 18	Unaudited 26 weeks ended 30 Jun 17	Audited 52 weeks ended 31 Dec 17
Cash flows from operating activities				
Profit/(loss) after tax		**7,750**	**3,490**	**7,263**
Income and expenses not affecting operating cash flows				
Depreciation		2,472	1,275	2,730
Intangibles amortisation	12	3,095	1,223	3,038
Income tax expense	7	3,088	2,144	4,731
Share option expense		835	416	1,426
Loss on disposal of fixed assets		-	218	103
Loss on deferred consideration		-	-	190
Interest receivable		(65)	(55)	(26)
Employee Benefit Costs		40	35	209
Interest expense		271	240	388
Unrealised Foreign Exchange (Gains)/ Losses		(1,057)	157	2,033
		8,679	**5,653**	**14,822**
Changes in operating assets and liabilities				
(Increase)/ Decrease in trade receivables		(7,700)	(3,702)	2,506
(Increase)/ Decrease in other receivables		(2,975)	(2,515)	(5,413)
Increase/ (Decrease) in trade and other payables		1,228	1,572	(82)
		(9,447)	**(4,645)**	**(2,989)**
Income taxes paid		(2,891)	(2,204)	(5,454)
Net cash provided by operating activities		**4,091**	**2,294**	**13,642**
Cash flows from investing activities				
Acquisition of subsidiaries net of cash acquired		(10,625)	(6,666)	(86,776)
Settlement of deferred liabilities on acquisitions		(1,011)	(283)	(298)
(Acquisition)/disposal of Associate	16	(114)	-	-
(Acquisition)/disposal of property, plant and equipment		(3,791)	(1,824)	(3,803)

Interest received			-	26
Net cash used in investing activities		**(15,541)**	**(8,773)**	**(90,851)**
Cash flows from financing activities				
Repayment of loans		(853)	-	(23)
Loan to finance acquisitions		13,755	5,000	10,250
Dividends paid	9	(696)	(563)	(867)
Financing EBT for share options exercised		-	(613)	(563)
Shares issued		1,203	-	82,936
Interest paid	6	(144)	(79)	(279)
Net cash used in financing activities		**13,265**	**3,745**	**91,454**
Increase / (Decrease) in cash and cash equivalents		1,815	(2,734)	14,245
Exchange gain/(loss) on cash and cash equivalents		(5)	196	(891)
Cash and cash equivalents at beginning of the period		30,374	17,020	17,020
Cash and cash equivalents at end of period		**32,184**	**14,482**	**30,374**

Notes forming part of the consolidated financial statements

1 Basis of preparation

Keywords Studios plc (the "Company") is a company incorporated in the UK. These consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 30 June 2018. The Group was formed on 8 July 2013 when Keywords Studios Plc (formerly Keywords Studios Limited) acquired the entire share capital of Keywords International Limited through the issue of 31,901,332 ordinary shares.

The interim financial statements were approved by the Board of Directors on 14 September 2018. The interim results for the 26 weeks ended 30 June 2018 and the 26 weeks ended 30 June 2017 are neither audited nor reviewed by our auditors and the accounts in this interim report do not therefore constitute statutory accounts in accordance with Section 434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Keywords Studios plc for the year ended 31 December 2017.

The consolidated statutory accounts of Keywords Studios for the year ended 31 December 2017 have been filed with the Companies House. The report of the auditors on those accounts was unqualified, did not contain any statements under s.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 same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Keywords Studio plc latest annual audited financial statements.

In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. These include the adoption of IFRS 15, Revenue from Contracts with Customers and IFRS 9 Financial Instruments. Our assessment of the implementation of these standards is that the adoption has not had a material impact on the financial statements.

Going concern

In view of the Group's resources, cash at 30 June 2018 of €32.1m, cash flow from operations in the 26 weeks to 30 June 2018 of €4.1m, and the overall financial condition of the Group, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

New standards, interpretations and amendments not yet effective.

The group will adopt IFRS 16 Leases from 1 January 2019. There were no further new standards or interpretations available for early adoption for the first time for periods beginning on or after 1 January 2018, which have been implemented by the Group.

The Interim financial statements for 2018 have been prepared in thousands (€'000). The financial statements are presented in Euro (€), which is the functional currency of the Group.

2 Significant accounting policies

Other than the implementation of IFRS 9 and IFRS 15, there have been no changes to the accounting policies that were detailed in the 2017 Annual Report. Over the period covered by the Interim Report the company has acquired new companies, resulting in the creation of both Intangible Assets and Goodwill. The accounting policies relating to Intangible Assets and Goodwill are detailed below.

Business Combinations

The consolidated financial statements incorporate the results of the business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Any contingent consideration payable is recognised at fair value at the acquisition date and is split between current liabilities and long term liabilities. When the consideration becomes more certain, the fair value of the contingent consideration will be revalued and any change will be recognised in the statements of comprehensive income.

For deferred consideration which is to be provided for by the issue of a fixed number of shares at a future defined date, where there is no obligation on Keywords to offer a variable number of shares, the deferred consideration is to be classified as an Equity Arrangement and the value of the shares is fixed at the date of the acquisition.

Goodwill

Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

For business combinations completed prior to 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date were treated as an adjustment to cost and, in consequence, resulted in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Intangible Assets

Intangible assets, separately identified from goodwill acquired as part of a business combination, are initially stated at fair value. The fair value attributed is determined by discounting the expected future cashflows to be generated from net margin on the business from the main customers taken on at acquisition. The assets are amortised over their useful economic lives, which is deemed to be 5 years.

Revenue from Contracts with Customers

The Group implemented IFRS 15, Revenue from Contracts with Customers, as of 1 January 2018. The new standard sets out revenue recognition requirements, and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the group's contracts with customers.

Following implementation of IFRS 15, there was no material impact of transition on retained earnings at 1 January 2018, on the Group's interim statement of financial position as at 30 June 2018, on its interim statement of profit or loss and other comprehensive income, or on the cash flows for the period to 30 June 2018.

Keywords is predominantly a service company, charging clients for tasks or services completed.
For service lines on localization, functional testing, localisation testing, player support and audio, the nature of the work done is service performance for clients and recognising revenue on the basis of measured and agreed service completion.
For Art and Engineering work, assets are created to order. Under the definitions in IFRS 15, the group do not have control over the assets produced;

- The Group does not retain IP over work produced
- The control of the assets that the Group produces remains with our customers
- The Group typically does not create assets that have an alternative use or can otherwise be traded

Performance obligations are satisfied over time in accordance with S. 35 of IFRS 15.

The revenue recognition policy of the group is as follows;

Revenue is recognised as work is performed

- where measures of the progress of the work are reliably measured
- where the work is supported by an identified contract
- where the group are satisfied that it is probable that the group will collect the related consideration

Where there are multiple performance obligations outlined in a contract, each performance obligation is separately assessed, the transaction price is allocated to each obligation, and related revenues are recognised over time accordingly.

In certain areas of specific service lines, Keywords charge for licences or rights over time. Related revenue is recognised over the period of the license or right given, and amounts received in advance are deferred, pending performance.

Multi Media Tax Credits

The Multimedia Tax Credits received in Quebec Province on testing services are treated as a deduction against direct costs.

Financial Instruments

The Group implemented IFRS 9, Financial Instruments, as of 1 January 2018. The new standard sets out requirements for recognizing and measuring financial assets.

The group introduced the 'expected credit loss' impairment model for financial assets. For the group, the financial assets that are impacted are Trade Receivables.
At the end of each account period, at the consolidated level, the group assesses the requirement for the impairment of trade receivables as a whole on the basis of the expected credit loss rate.
Having assessed the requirements according to the standards, the group have concluded that no additional impairment to the carrying values of the assets was required at 1 January 2018, or at 30 June 2018.
This will be assessed again at December 31st.

At company level within the group, there is ongoing assessment on the requirement for impairment on intercompany balances under the 'expected credit loss' model. To date, there is no impact on the group financial statements arising from this assessment.

3 Critical accounting estimates and judgements

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual financial statements 2017 for Keywords Studios Plc.

4 Segmental analysis

Management considers that the Group's activity as a single source supplier of Technical Services for Video Games constitutes one operating and reporting segment, as defined under IFRS 8.

Management review the performance of the Group by reference to Group-wide profit measures and the revenues derived from seven main service groupings:

- Art Creation - Art creation services relate to the production of graphical art assets for inclusion in the video game including concept art creation along with 2D and 3D art asset production and animation.
- Audio - Audio services relate to the audio production process for computer games and includes script translation, actor selection and talent management through pre-production, audio direction, recording, and post-production, including native language Quality Assurance of the recordings.

- Localisation - Localisation services relate to translation and cultural adaptation of in-game text and audio scripts across multiple game platforms and genres.
- Functional Testing - Functional testing relates to quality assurance services provided to game producers to ensure games function as required.
- Localisation Testing - Localisation testing involves testing the linguistic correctness and cultural acceptability of computer games.
- Player Support - Player support relates to the live operations support services such as community management, player support and associated services provided to producers of games to ensure that consumers have a positive user experience.
- Engineering - Engineering relates to software engineering services which are integrated with client processes to develop video games.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual product groupings. Accordingly, the disclosures below are provided on an entity-wide basis.

The group has considered IFRS 15 regarding the disclosure of disaggregated revenues.

Segmental analysis and disaggregated revenues are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the executive management team made up of the Chief Executive Officer and the Chief Finance Officer.

Revenue by line of business

	Unaudited 26 weeks ended 30 Jun 18 €'000	**Unaudited 26 weeks ended 30 Jun 17 €'000**	**Audited 52 weeks ended 31 Dec 17 €'000**
Revenue by line of business			
Art creation	18,150	12,382	26,193
Audio	13,561	8,402	20,657
Localisation	21,395	18,989	41,959
Functional testing	23,061	10,964	30,033
Localisation testing	9,570	8,682	19,848
Customer support	15,328	3,817	9,168
Engineering	8,886	525	3,572
	109,951	**63,760**	**151,430**

Geographical analysis of revenues by jurisdiction

Analysis by geographical regions is made according to the Group's operational jurisdictions. This does not reflect the region of the Group's customers, whose locations are worldwide.

	Unaudited 26 weeks ended 30 Jun 18 €'000	**Unaudited 26 weeks ended 30 Jun 17 €'001**	**Audited 52 weeks ended 31 Dec 17 €'002**
Canada	30,792	20,689	45,648
Ireland	17,774	15,371	34,277
Switzerland	7,284	7,217	19,565
Italy	5,805	5,906	10,029
India	1,529	2,643	5,177
United States	26,429	3,079	12,199
Japan	3,648	2,652	6,352
United Kingdom	4,610	1,370	2,467
Spain	1,377	832	2,194
China	2,433	613	3,685
Singapore	2,392	2,522	4,451
Germany	479	483	928
Brazil	532	270	520
Mexico	886	84	180
France	3,981	29	3,758
Total revenues	**109,951**	**63,760**	**151,430**

Geographical analysis of non-current assets from continuing businesses

	Unaudited 26 weeks ended 30 Jun 18 €'000	**Unaudited 26 weeks ended 30 Jun 17 €'000**	**Audited 52 weeks ended 31 Dec 17 €'000**
Canada	9,254	8,445	8,889
Ireland	1,120	4,616	1,064
Switzerland	11,057	12,191	11,158
Italy	11,581	11,851	11,723
India	2,423	2,865	2,588
United States	91,509	12,307	77,177

Japan	635	327	565
United Kingdom	15,673	7,711	10,011
Spain	1,544	931	1,520
China	7,785	4,372	7,707
Singapore	34	52	42
Germany	1,130	1,205	1,168
Brazil	578	239	231
Mexico	903	-	892
France	6,420	-	6,531
Total revenues	756	-	866
Poland	54	-	58
Philippines	576	392	472
Taiwan	5	-	4
	163,039	**67,504**	**142,666**

Geographical Analysis	163,039	67,504	142,666
Investments in Associates	114	-	-
Deferred tax assets	1,265	1,329	1,206
Total Non-Current Assets	**164,418**	**68,833**	**143,872**

5 Seasonal business

The video games industry is 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 Group's service lines typically experiences 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 compared with the first six months of each calendar year.

Revenue for the 52 weeks ended 30 June 2018 totalled €198m (2017: 52 weeks ended 30 June 2017 €118m) and gross profit for the equivalent period totalled €74m (2017: €44m).

Within the six months to 30 June 2018, Keyword's Group has completed 4 acquisitions, which are also included in the results above.

6 Financing income and costs

	Unaudited 26 weeks ended 30 Jun 18 €'000	Unaudited 26 weeks ended 30 Jun 17 €'000	Audited 52 weeks ended 31 Dec 17 €'000
Finance income			
Interest received	65	55	26
Foreign exchange gain	794	-	-
	859	55	26
Finance cost			
Bank charges	(232)	(151)	(320)
Interest expense	(271)	(240)	(578)
Foreign exchange losses	-	(1,965)	(3,569)
	(503)	(2,356)	(4,467)
Net financing income/(cost)	**356**	**(2,301)**	**(4,441)**

7 Taxation

	Unaudited 26 weeks ended 30 Jun 18 €'000	Unaudited 26 weeks ended 30 Jun 17 €'000	Audited 52 weeks ended 31 Dec 17 €'000
Current income tax			
Income tax on profits of parent company	-	-	-
Income tax on profits of subsidiaries	2,686	2,745	5,762
Deferred tax	402	(720)	(1,031)
	3,088	**2,025**	**4,731**

The tax is calculated for all of the Keyword's entities, across all geographies, which have generated profits during the period, after taking into account any tax losses brought forward. The tax is estimated in accordance with the tax laws of each jurisdiction.

8 Dividends Paid

Dividends Paid

_	Unaudited	_	Audited

	26 Weeks ended 30 Jun 2018 Per share € Cent	Total €'000	52 weeks ended 31 Dec 2017 Per share € Cent	Total €'000
Final Dividends Paid	1.11	696	1.01	563
Interim Dividends Paid	-	-	0.54	304
Dividends paid to shareholders	**1.11**	**696**	**1.55**	**867**

In April 2017, Keywords Studios plc approved a dividend in respect of the financial year ended 31 December 2016 of GBP pence 0.89/ € cent 1.01 per Ordinary share, or €563k in total, as a final dividend for 2016. The dividend was paid in June 2017.

In September 2017, Keywords Studios plc approved a dividend of -GBP pence 0.48/€ cent 0.54 per share, based on the shares in issue at that time, or €304k in total, as an interim dividend for 2017. The dividend was paid in October 2017.

In June 2018, Keywords Studios plc approved a dividend in respect of the financial year ended 31 December 2017 of GBP pence 0.98/ € cent 1.11 per Ordinary share, or €696k in total, as a final dividend for 2017. The dividend was paid in June 2018.

The Directors recommend an interim dividend of GBP pence 0.53 /€ cent 0.60 per share in respect of the financial year ended 31 December 2018 to be paid on 26 October 2018 to the shareholders who are on the register at 5 October 2018. The dividend is not reflected in the financial statements as it does not represent a liability as at 30 June 2018. The interim proposed dividend will reduce shareholders' funds by an estimated €0.4m.

9 Earnings per share

	Unaudited 26 Weeks ended **30 Jun 2018** Euro cent	Unaudited 26 Weeks ended **30 Jun 2017** Euro cent	Audited 52 weeks ended **31 Dec 2017** Euro cent
Basic	12.10	6.08	12.37
Diluted	11.62	5.83	11.87
	€'000	**€'000**	**€'000**
Profit for the period from continuing operations	7,750	3,490	7,263
Denominator (weighted average number of equity shares)	**Number**	**Number**	**Number**
Basic	64,027,256	57,395,949	58,720,884
Diluted	66,719,403	59,851,814	61,198,672

The dilutive impact of share options has been considered in calculating diluted earnings per share.

The basic and diluted weighted average denominators include the impact of the 702,424 (Dec 2017 2,188,608) Shares to be issued relating to acquisitions.

10 Share Capital

Share Capital	Shares	€'000
As at 01 January 2017	**54,428,882**	**654**
Ordinary Shares of £0.01 each issued on the first anniversary of the acquisition of Synthesis	1,188,253	14
Ordinary Shares of £0.01 issued on acquisition of Xloc	19,134	-
Ordinary Shares of £0.01 issued on acquisition of GameSim	151,725	2
At 30 June 2017	**55,787,994**	**670**
Ordinary Shares of £0.01 issued on acquisition of Asrec	9,534	-
Ordinary Shares of £0.01 issued on acquisition of d3t	42,368	-
Ordinary Shares of £0.01 issued on acquisition of Lola	10,106	-
Placing of ordinary Shares of £0.01 on the market	5,357,143	61
Issue of shares on exercise of share options	501,060	6
As at 1 January 2018	**61,708,205**	**737**
Ordinary Shares of £0.01 each issued on the second anniversary of the acquisition of Synthesis	1,239,825	14
Ordinary Shares of £0.01 each issued on the second anniversary of the acquisition of Mindwalk	513,819	6

Issue of shares on exercise of share options	228,090	3
At 30 June 2018	**63,689,939**	**760**

On 09 April 2018, in accordance with the terms of the acquisitions of Cord and Laced, the Group committed to the Issue of 73,744 shares in April 2020. This commitment, which is only dependant on the passage of time, is recorded as 'Shares to be Issued' at a value of £15.26 (€17.48) per share.

On 24 April 2018 the Group issued 1,188,263 of 1p shares in accordance with the terms of the 2016 acquisition of the Synthesis group. These shares had already been included in the basic EPS denominator as they were considered 'Shares to be Issued', contingent only on the passage of time.
The Group issued a further 51,562 shares to settle the cash value of €1m in accordance with the terms of the same 2016 acquisition of the Synthesis group.

On 30 May 2018, in accordance with the terms of the acquisition of Fire Without Smoke, the Group committed to the Issue of 77,006 shares in May 2019. This commitment, which is only dependant on the passage of time, is recorded as 'Shares to be Issued' at a value of £17.53 (€20.11) per share.

On 11 June 2018, in accordance with the terms of the acquisition of Blindlight, the Group committed to the Issue of 64,521 shares in June 2019. This commitment, which is only dependant on the passage of time, is recorded as 'Shares to be Issued' at a value of £18.10 (€20.57) per share.

On 12 June 2018 the Group issued 513,819 of 1p shares in accordance with the terms of the 2016 acquisition of the assets of Mindwalk. These shares had already been included in the basic EPS denominator as they were considered 'Shares to be Issued', contingent only on the passage of time.

Between 1 January 2018 and 30 June 2018, 45,669 share options and 182,421 LTIPs were exercised in accordance with the employee incentive plans.

There is no limit to the number of shares which the company can issue.

11 Goodwill

	€'000
At 1 January 2017	46,799
Recognition on acquisition of subsidiaries	7,484
Revaluation on Exchange Rate Movement	(1,535)
At 30 June 2017	52,748
Recognition on acquisition of subsidiaries	59,369
Revaluation on Exchange Rate Movement	(3,110)
At 31 December 2017	109,007
Recognition on acquisition of subsidiaries	13,693
Revaluation on Exchange Rate Movement	1,716
At 30 June 2018	124,416

During the period goodwill arose on the acquisitions of Maximal, Cord, Laced, Fire Without Smoke and Blindlight.

The goodwill is tested for impairment on an annual basis. The impairment test will be performed as part of the year end process and any adjustment required reported in the annual report. At 30 June 2018 the Board do not consider that there is an impairment required.

12 Intangible assets - customer relationships

Cost	**Customer Contracts €'000**	**Purchased Software Development €'000**	**Licences €'000**	**Total €'000**
At 1 January 2017	**11,630**	**-**	**-**	**11,630**
Additions	1,465	147	-	1,612
Revaluation on Exchange Rate Movement	(386)	-	-	(386)
At 30 June 2017	**12,709**	**147**	**-**	**12,856**
Additions	17,350	-	-	17,350
Revaluation on Exchange Rate Movement	(912)	(12)	-	(924)
At 31 December 2017	**29,147**	**135**	**-**	**29,282**
Additions	5,980	-	362	6,342
Revaluation on Exchange Rate Movement	504	4	-	508
At 30 June 2018	**35,631**	**139**	**362**	**36,132**

Amortisation & Impairment	**Customer Contracts €'000**	**Purchased Software Development €'000**	**Licences €'000**	**Total €'000**
At 1 January 2017	**2,934**	**-**	**-**	**2,934**
Amortisation Charge	1,221	2	-	1,223
Revaluation on Exchange Rate Movement	(106)	-	-	(106)
At 30 June 2017	**4,049**	**2**	**-**	**4,051**
Amortisation Charge	1,800	15		1,815
Exchange Rate Movement	(131)	(1)	-	(132)
At 31 December 2017	**5,718**	**16**	**-**	**5,734**
Amortisation Charge	3,075	14	6	3,095

Exchange Rate Movement	101	1	-	102
At 30 June 2018	**8,894**	**31**	**6**	**8,931**
Net Book Value				
At 30 June 2017	8,660	145	-	8,805
At 31 December 2017	23,429	119	-	23,548
At 30 June 2018	**26,737**	**108**	**356**	**27,201**

Intangible Assets are amortised over 5 years from the point of acquisition on a straight line basis.

13 Loans and borrowings

In 2018 Keywords PLC expanded the revolving credit facility to €75,000,000 over a 3 year term, which can be used for both further acquisitions and to fund working capital. There is an option to extend the facility to a maximum of €105,000,000, and extend the duration of the agreement up to a further 2 years.

At June 30, 2018, €32,000,000 was drawn down. The interest rate is 1.5% above Euribor and there is a 0.525% margin which is charged for the unutilised facility.

There are charges over the assets of Keywords Studios plc, Keywords International Ltd, Keywords International Company Ltd (KK), Binari Sonori S.R.L, Babel Games Services Inc., Babel Media Ltd, Synthesis Global Solutions SA, Liquid Development LLC, Alchemic Dream Inc., Keywords International Corporation Inc.(Canada), Keywords International Corporation Inc., Keywords Us Holdings Inc., VMC Consulting Corporation, VMC Volt Information Sciences BC Inc., Volt Canada Inc, and Sperasoft Inc.

Loans outstanding are repayable over the following periods;

	Unaudited 26 weeks ended 30 Jun 18 €'000	Unaudited 26 weeks ended 30 Jun 17 €'000	Audited 52 weeks ended 31 Dec 17 €'000
Expiry within 1 Year	32,084	13,043	18,943
Expiry between 1 and 2 years	45	56	31
Expiry over 2 years	-	255	306
	32,129	**13,354**	**19,280**

14 Share options

In July 2013, at the time of the IPO, the Company put in place a Share Option Scheme and a Long Term Incentive Plan ("LTIP"). The charge in relation to these arrangements is shown below, with further details of the schemes following:

	Unaudited 26 Weeks ended 30 Jun 2018 €'000	Unaudited 26 Weeks ended 30 Jun 2017 €'000	Audited Year Ended 31 Dec 2017 €'000
Share Option Scheme Expense	79	82	178
Share Option Scheme - LTIP Expense	756	334	1,248
Total Share Option Expense	**835**	**416**	**1,426**

Of the Total Share Option Expense, €79k relates to Directors of the Company as at 30 June 2018, (2017: €85k for the period ending 30 June 2017).

Share option incentive plan scheme

Share options are granted to certain Directors and permanent employees. The exercise price of the granted options is equal to the market price of the shares at the time of the award of the options. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Share Option Scheme

Date of Option	**12-Jul-13**	**01-Jun-15**	**10-May-16**	**15-May-17**	**18-May-18**	**Total**
Exercise Price	£1.20	£1.58	£2.54	£7.76	£17.10	
Outstanding at 31 Dec 2017	285,311	636,816	180,074	273,000	-	1,375,201
Granted				-	591,000	591,000
Forfeited		(1,897)	(9,067)	(18,000)	(1,500)	(30,464)
Exercised in the year	(5,176)	(18,407)	(22,086)			(45,669)
Outstanding						

at 30 June 2018	280,135	616,512	148,921	255,000	589,500	1,890,068
Exercisable at 30 Jun 2018	280,135	563,728	34,917	-	-	878,780
Exercisable 2019	-	52,784	57,002	85,000	-	194,786
Exercisable 2020	-	-	57,002	85,000	196,500	338,502
Exercisable 2021	-	-	-	85,000	196,500	281,500
Exercisable 2022	-	-	-	-	196,500	196,500

Date of Option	**12-Jul-13**	**01-Jun-15**	**10-May-16**	**15-May-17**	**18-May-18**	**Total**
Weighted Average Share Price (£)	£1.23	£1.64	£2.54	£7.74	£18.30	
Weighted Average Exercise Price (£)	£1.20	£1.58	£2.54	£7.76	£17.10	
Average Expected Life	3 Years	3 Years	3 Years	3 Years	3 Years	
Expected Volatility	36.12%	28.03%	27.17%	24.79%	19.61%	
Risk Free Rates	0.50%	0.90%	0.58%	0.16%	0.75%	
Average Expected Dividends Yield	1.00%	0.75%	0.55%	0.21%	0.00%	
Weighted Average Remaining Life of Options in Months	*-*	*1*	*13*	*23*	*35*	*15*

Expected volatility was determined by reference to the Company's share price volatility. The expected life used in the model has been adjusted on management's best estimate, for the effects of non-transferability and behaviour considerations.

Long term incentive plan scheme

An alternative share plan was introduced to give awards to Directors and staff subject to outperforming the Numis Small Cap (excluding Investment Trusts) index in terms of shareholder return over a three year period.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Long Term Investment Plan Scheme

Date of Option	**08-Jul-13**	**06-Jan-15**	**01-Jun-15**	**10-May-16**	**20-Nov-16**	**15-May-17**	**18-May-18**	**Total**
Exercise Price	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
Outstanding at 31 Dec 2017	222,238	101,060	317,118	610,000	30,000	696,000	-	1,976,416
Granted	-	-	-	-	-	-	949,000	949,000
Forfeited	-	(165)	(11,033)	(15,000)	-	(36,000)	(6,400)	(68,598)
Exercised	-	(100,895)	(81,526)	-	-	-	-	(182,421)
Outstanding at 30 June 2018	222,238	-	224,559	595,000	30,000	660,000	942,600	2,674,397
Exercisable at 30 Jun 2018	222,238	-	224,559	-	-	-	-	446,797
Exercisable 2019	-	-	-	595,000	30,000	-	-	625,000
Exercisable 2020	-	-	-	-	-	660,000	-	660,000
Exercisable 2021	-	-	-	-	-	-	942,600	942,600

Date of Option	**08-Jul-13**	**06-Jan-15**	**01-Jun-15**	**10-May-16**	**20-Nov-16**	**15-May-17**	**18-May-18**	**Total**
Weighted Average Share Price (£)	£1.23	£1.43	£1.64	£2.54	£4.15	£7.74	£18.30	
Weighted Average Exercise Price (£)	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	
Average Expected Life	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	3 Years	
Expected Volatility	36.12%	31.20%	28.03%	27.17%	23.31%	24.79%	19.61%	
Risk Free Rates	0.50%	0.58%	0.90%	0.55%	0.08%	0.16%	0.75%	
Weighted Average Remaining Life of Options in Months	-	-	-	**11**	**11**	**23**	**35**	**20**

LTIP's vest on the third anniversary of the grant, if the performance criteria are met.
LTIP's must be exercised before the seventh anniversary of the grant.
'Adjustments' relate to out of cycle changes and updates.

The options were valued using a Monte Carlo binomial model using the following inputs:

Expected volatility was determined by reference to the Company's share price volatility. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

As any dividends earned are to be re-invested into the business the impact of dividends has been ignored in the calculation of the LTIP share option charge.

15 Acquisitions

Acquisition of Maximal Studio

On 22 March 2018, the Group acquired the entire issued share capital of Maximal Studio ("Maximal") an audio studio in Sao Paulo which provides voice over recording for the video games and learning industries. The acquisition adds further scale to our audio capabilities in the South American markets, providing us with our first recording studio in Sao Paulo to complement our localisation business in Rio de Janeiro.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

Maximal	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, plant and equipment	14	-	14
Trade and other receivables	22	-	22
Cash and cash equivalents	112	-	112
Trade and other payables	(14)	-	(14)
Total identifiable assets	134	-	134
Goodwill			390
Total consideration			524
Satisfied by:			
Cash			345
Deferred consideration			179
Total consideration			524
Net cash outflow arising on acquisition			
Cash			345
Less: cash and cash equivalent balances transferred			(112)
			233

The main factors leading to recognition of goodwill on the acquisition of Maximal are the presence of intangible assets in the acquired entity, which do not value for separate recognition, such as the expertise in Audio Services and reputation within the industry.

Maximal contributed €149k revenue and €35k profit before tax to the Group between the date of acquisition and the balance sheet date.

Maximal already had a trading relationship with the Keywords Group prior to acquisition. If the acquisition had been completed on the first day of the financial year, minimal additional revenue would have been recorded for the group, as a large part of their business would have been considered intercompany. If the acquisition had been completed on the first day of the financial year, €200k Profit before Tax would have been contributed to the Group.

Acquisition costs of €5k have been charged through the Statement of Comprehensive Income.

Acquisitions of Cord & Laced

On 9 April 2018 the Group acquired the entire issued share capital of Cord Worldwide Limited ("Cord") and Laced Music Limited ("Laced"). Based in London, Cord provides a range of music focused branding and strategic consulting services to large businesses and Laced is a music services company and record label specialising within the video games industry.

The acquisitions of Cord and Laced are in line with Keywords' strategy to grow organically and by acquisition as it selectively consolidates the highly fragmented market for video game services. The companies will bring additional talent, expertise and music industry experience to Keywords' client base. Being able to offer music services to our clients will further enhance our reputation as the leading provider of services to the global video games industry.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed of both acquisitions are set out in the table below:

Cord	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, plant and equipment	79	-	79
Identifiable intangible assets - IP & customer relationships	362	2,163	2,525
Trade and other receivables	4,582	-	4,582

Cash	1,803	-	1,803
Trade and other payables	(4,903)	-	(4,903)
Deferred tax liabilities	-	(411)	(411)
Total identifiable assets	1,923	1,752	3,675
Goodwill			2,378
Total consideration			6,053

Satisfied by:	
Cash	4,907
Shares to be issued (65,550 shares of the parent company)	1,146
	6,053

Net cash outflow arising on acquisition	
Cash	4,907
Less: cash and cash equivalent balances transferred	(1,803)
	3,104

Laced 09-Apr-18	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Trade and other receivables	126	-	126
Cash and cash equivalents	40	-	40
Trade and other payables	(224)	-	(224)
Total identifiable assets	(58)	-	(58)
Goodwill			521
Total consideration			463
Satisfied by:			
Cash			320
Shares to Be Issued (8,194 shares of the parent company)			143
			463
Net cash outflow arising on acquisition			
Cash			320
Less: cash and cash equivalent balances transferred			(40)
			280

The main factors leading to the recognition of goodwill on the acquisition of The Cord and Laced acquisitions are the presence of certain intangible assets in the acquired entities, which are not valued for separate recognition, such as the expertise and music industry experience.

Cord & Laced contributed €1,180k revenue and €130k loss before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the 6 months to 30 June 2018 of €2,947k would have been contributed to the Group and €47k loss before tax.

A fixed amount of 73,744 shares in Keywords Studio Plc will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €17.48, and €1,289k has been recorded as Shares to be Issued within Equity, in accordance with IAS 32.16.

Acquisition costs of €77k have been charged through to the Statement of Comprehensive Income.

Acquisition of Fire Without Smoke

On 30 May 2018 the Group acquired the entire issued share capital of Fire Without Smoke Ltd ("Fire Without Smoke") . Headquartered in London and with a studio in Montreal, Fire Without Smoke provides a full suite of creative and marketing services to game publishers and developers, creating assets such as game trailers, marketing art and materials for esports events, and providing marketing consultancy and general design services to the video game industry.

The acquisition is in line with its strategy of growing both organically and by acquisition to extend the Group's client base, market penetration or service lines, where the Group can leverage its existing expertise, multi-service platform, scale and global reach to generate synergies.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

Fire Without Smoke	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, plant and equipment	11	-	11
Identifiable intangible assets - customer relationships	-	1,404	1,404
Trade and other receivables	542	-	542

Cash and cash equivalents	1,123	-	1,123
Trade and other payables	(419)	-	(419)
Deferred tax liabilities		(267)	(267)
Total identifiable assets	1,257	1,137	2,394
Goodwill			4,455
Total consideration			6,849
Satisfied by:			
Cash			4,725
Deferred Cash Contingent on performance			574
Shares to Be Issued (77,006 shares of the parent company)			1,549
Total consideration transferred			6,849
Net cash outflow arising on acquisition			
Cash			4,725
Less: cash and cash equivalent balances transferred			(1,123)
			3,602

The main factors leading to recognition of goodwill on the acquisition of Fire Without Smoke are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition, such as the expertise in high end video game trailers and reputation within the industry.

Fire Without Smoke contributed €683k revenue and €265k profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the 6 months to 30 June 2018 of €2,337k would have been contributed to the Group and €503k profit before tax.

A fixed amount of 77,006 shares in Keywords Studio Plc will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €20.11, and €1,549k has been recorded as Shares to be Issued within Equity, in accordance with IAS 32.16.

Acquisition costs of €70k have been charged through to the Comprehensive Income Statement.

Acquisition of Blindlight

On 11 June 2018 the Group acquired the entire issued share capital of Blindlight LLC ("Blindlight"). Founded in 2001 and based in Hollywood, California, Blindlight enjoys a leading position in the provision of Hollywood production services for the video games industry.

The acquisition of Blindlight is in line with Keywords' strategy of growing both organically and by acquisition. The company works on behalf of game publishers and developers in procuring specialised talent and managing the entire production processes for the parts of games that benefit from Hollywood talent resources. The addition of Blindlight to the Group will increase the value of the services provided by Keywords and contribute to making those services more accessible to a wider customer base.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

Blindlight	**Book Value €'000**	**Fair Value Adjustment €'000**	**Fair Value €'000**
Financial Assets			
Property, Plant & Equipment	4	-	4
Identifiable intangible assets - customer relationships		2,413	2,413
Trade and other receivables	256	-	256
Cash and cash equivalents	96	-	96
Trade and other payables	(128)	-	(128)
Deferred tax liabilities -		(511)	(511)
Total identifiable assets	228	1,902	2,130
Goodwill			5,949
Total consideration			8,079
Satisfied by:			
Cash			3,097
Deferred Cash Contingent on performance			3,655
Shares to Be Issued (64,521 shares of the parent company)			1,327
			8,079
Net cash outflow arising on acquisition			
Cash			3,097
Less: cash and cash equivalent balances transferred			(96)
			3,001

The main factors leading to recognition of goodwill on the acquisition of Blindlight are the presence of certain intangible assets in the acquired entity, such as expertise in voiceover production, celebrity acquisition and rights management, game writing, music, sound design and motion capture.

Blindlight contributed €654k revenue and €316k profit before tax to the Group between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, revenue for the 6 months to 30 June 2018 of €1,793k would have been contributed to the Group and €174k profit before tax.

A fixed amount of 64,521 shares in Keywords Studio Plc will be issued as part of the deferred consideration. The shares have been valued at the share price at the date of acquisition, €20.57, and €1,327k has been recorded as Shares to be Issued within Equity, in accordance with IAS 32.16.

16 Investments

On 9th May 2018, the group, through the newly established Keywords Ventures Ltd, invested £100k (€114k) in 15% of the share capital of AppSecTest Limited.

Keywords Ventures Ltd will invest up to an additional £200k, dependent upon development milestones, in Series A funding for a 45% shareholding in a pre-revenue company, AppSecTest Ltd, creator of AS Analyser, a cloud based automatic testing solution for mobile apps, including games.

Due to the proximity to the period end of the investment, no adjustment has been made to its carrying value.

17 Events after the Reporting Date

Acquisition of Snowed In

On 20 July 2018 the group completed the acquisition of Snowed In. Based in Ottawa, Canada, Snowed In offers engineering and co-development services to the video-games industry and has a strong global reputation and well-established relationships with clients such as Ubisoft and Bethesda.

Under the terms of the acquisition, Keywords is paying an initial CAD$2.67m in cash and will issue 37,983 new ordinary shares in Keywords to the Sellers on the first anniversary of the acquisition. Deferred consideration of up to CAD$0.2m will be payable in cash to the Sellers 18 months after the acquisition.

Acquisition of Yokazuna Data

On 23 July 2018 the group completed the acquisition of Yokazuna Data, a video games analytics company based in Tokyo.

Yokazuna Data have developed a range of cutting edge self-learning, predictive analytic models drawing on AI and machine learning technologies that predict individual player behaviour and adapt themselves in response to changes that are made in the game. This technology can be used to reduce player attrition, maximise conversion, increase average spend, and materially impact the lifetime value of players all while increasing the appeal of the game for the individual users.

Keywords has paid a total cash consideration of $1.5m for the business and all associated technology rights and trademarks.

Acquisition of Studio Gobo and Electric Square

On 20 August 2018 the group completed the acquisition of Studio Gobo and Electric Square. Gobo provides game development services to video game developers and publishers around the world from its Studio Gobo and Electric Square studios based across three studio locations in Brighton and Hove, UK.

Under the terms of the acquisition, Keywords is paying a total consideration of up to £26m. The initial consideration is £10.5m in cash and 254,529 new ordinary shares in Keywords, which will be issued on the anniversary of completion and will then be subject to orderly market provisions for a further 12 months. The remaining consideration of £11m is payable in a mix of cash and shares, subject to the achievement of a substantial increase in Gobo's EBITDA over the 12-month period following completion.

Acquisition of The TrailerFarm Ltd

On 13 September 2018 the group completed the acquisition of The TrailerFarm Ltd which produces trailers for the marketing and support of video games, based in Brighton, UK.

Under the terms of the acquisition, Keywords is paying a total consideration of up to £2m. The initial consideration of £1.0m is being satisfied by the payment of £790k in cash and 11,070 new ordinary shares in Keywords, which are to be issued to the sellers on the 1st anniversary of the acquisition. The remaining consideration of up to £1m is payable in cash, subject to the increase in profit before tax of TrailerFarm over the 12 month period post acquisition.