15 September 2021

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

Interim results for the six months to 30 June 2021

Strong Organic Revenue growth and margin performance

Keywords Studios, the international technical and creative services provider to the global video games industry, today announces its Interim results for the six months to 30 June 2021.

Financial Overview:

Results for the six months ended 30 June	H1 2021	H1 2020	% change
Group revenue	**€238.7m**	**€173.5m**	**+37.6%**
Organic Revenue growth[1]	**+22.9%**	**+8.0%**	
Adjusted EBITDA[2]	**€50.7m**	**€30.8m**	**+64.6%**
Adjusted EBITDA margin	21.2%	17.8%	
EBITDA[2]	€40.8m	€26.2m	+55.7%
Adjusted profit before tax[3]	**€39.7m**	**€21.7m**	**+82.9%**
Profit before tax	€21.9m	€11.1m	+97.3%
Adjusted earnings per share[4]	**41.57c**	**25.25c**	**+64.6%**
Earnings per share	20.86c	9.49c	+119.8%
Interim dividend per share	**0.70p**	**0.00p**	
Adjusted cash conversion rate[5]	**94.9%**	**50.2%**	
Net cash / (net debt)	**€84.1m**	**€101.0m**	

Highlights:

Strong H1 revenue growth (+37.6% to €238.7m), despite some continued COVID-19 related operational constraints

- Organic Revenue up 22.9% (H1 2020: 8.0%, FY 2020: 11.7%) with all service lines performing well against the comparative period, when a number were held back by COVID-19 constraints
- Growth driven by robust demand, supported by a buoyant video games market focused on a return to developing new content following production delays and disruption in 2020
- Some ongoing operational disruption as a result of local COVID-19 measures, but the Group continues to operate flexibly across all service lines to deliver market-leading service to clients

Continued growth in profitability and cash generation driving strong balance sheet and liquidity

- Adjusted EBITDA up 64.6% to €50.7m, with margin up 3.4% pts to 21.2% (H1 2020: 17.8%)
- Strong cash conversion with Adjusted Free Cash Flow[6] of €37.7m (H1 2020: €10.9m) and an Adjusted Cash Conversion rate of 94.9% (H1 2020: 50.2%)
- Net cash of €84.1m (H1 2020: €101.0m, FY 2020: €102.9m), after €44.7m net cash spend on acquisitions in H1, and a €100m undrawn Revolving Credit Facility

Resumed progressive dividend policy

- Interim dividend of 0.70p per share declared representing an increase of 20.7% on the 2019 interim dividend (H1 2020: 0.00p, H1 2019: 0.58p)

Continued delivery of our acquisition strategy

- Four high quality acquisitions completed so far in 2021 for total consideration of up to €105m

- Expanded Game Development services, adding a new presence in the US West Coast, with the completion of the acquisition of Heavy Iron Studios in January
- Entered Australia with the acquisition of Tantalus in March providing a platform for Game Development's expansion in the Pacific region
- Added strong capabilities in full game development, co-development, porting and technical consulting services with Climax Studios acquisition in April
- Entered an attractive market for talent, with a new presence in Romania, and added significant expertise to Art Creation through the acquisition of AMC in August
- We continue to actively review a healthy pipeline with strong financial resources to support further acquisition opportunities

Making good progress with our Responsible Business agenda

- Published a new Group Environmental policy, which will further develop our Sustainable Studios programme
- Established a new partnership with Women in Games, a not-for-profit organisation that seeks a game industry, culture and community free from gender discrimination. The partnership will help power their 500 strong Ambassador programme across 52 countries and allow Keywords to be more active in addressing the underrepresentation of women in the Games industry

CEO Succession and Board Update

- Following the retirement in June 2021 of Andrew Day the search process for his successor is very well advanced - further announcement expected in the coming weeks
- The Group continues to drive its strategy forward with Jon Hauck, CFO, and Sonia Sedler, COO, as joint interim CEOs, supported by the broader leadership team
- Strengthened the Board with the Non-Executive Director appointments of Marion Sears, who brings extensive governance and M&A expertise, and Neil Thompson, who brings deep experience in the sector gained at Microsoft

Current trading and outlook

- Trading has started well in H2, with strong demand for most services driven by the buoyant video games market and the industry's renewed focus on new content creation
- Expect to benefit from our well-balanced range of services across the game development lifecycle, with strong demand for early stage service lines such as Game Development, Marketing and Art Creation throughout H2, and with Testing and Localization service lines benefitting as content reflows into later stage services as we move through H2
- Continue to review a strong pipeline of acquisition opportunities, focusing on adding specific expertise and talent, particularly as we build our Game Development and Marketing service lines
- The Board is confident in delivering recently increased market expectations for the full year, with H2 growth rates moderating against a stronger comparative as anticipated

Jon Hauck, CFO & Joint Interim CEO of Keywords Studios commented:

"The Group has delivered another strong performance and we are seeing ongoing high levels of demand for our services, driven by a buoyant wider video games market which has a renewed focus on content creation.

"We have continued our acquisition strategy which is building the Group into the 'go to' service provider globally, with the recent acquisitions of Tantalus Media, Climax Studios and AMC taking us into new geographies and deepening our Game Development and Art Creation capabilities.

"Looking forward, we expect the strong demand to continue, giving us confidence in delivering a full year performance in line with recently increased market expectations, and our financial strength leaves us well placed to continue to complement organic growth with value-accretive acquisitions."

Sonia Sedler, COO & Joint Interim CEO of Keywords Studios commented:

"We are proud of the Group's strong organic growth performance in the first half, as our global sales and local teams continue to build upon our deep, long-standing relationships with our broad client base. As the structural trend in the industry towards outsourcing continues, our integrated services are addressing our clients' needs more effectively than ever.

"We would like to thank all of our 9,000+ Keywordians across the globe who, despite the ongoing operational challenges, have continued to tirelessly show resourcefulness, passion and dedication in delivering excellent quality service to support our clients."

A presentation of Keywords Interim results will be made to analysts at 9.30am this morning and the live webcast can be accessed via this link: https://www.keywordsstudios.com/H1-2021-results/. To register for dial in access, or for any enquiries, please contact MHP Communications on keywords@mhpc.com.

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About Keywords Studios (www.keywordsstudios.com)

Keywords Studios is an international technical services provider to the global video games industry. Established in 1998, and now with over 70 facilities in 23 countries strategically located in Asia, Australia, the Americas and Europe, it provides integrated art creation, marketing services, game development, testing, localization, audio and player support services across more than 50 languages and 16 games platforms to a blue-chip client base of over 950 clients across the globe.

Keywords Studios has a strong market position, providing services to 23 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 Anthem, Star Wars Jedi: Fallen Order, Valorant, League of Legends, Fortnite, 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 accounts 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 prior year foreign exchange rates to both years.*

[2] *EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation and impairment of intangible assets, depreciation, and deducting bank charges. Adjusted EBITDA comprises EBITDA, adjusted for share option expense, costs of acquisition and integration and non-controlling interest. In order to*

present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed in the prior year and investment income are also excluded.

[3] *Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration, amortisation and impairment 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 COVID-19 government subsidies claimed in the prior year and investment income are also excluded.*

[4] *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 tax 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] *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). In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed in the prior year is also excluded.*

Chairman’s statement

Keywords has delivered another strong period of growth in the first half, in the face of some operational constraints relating to the global pandemic, and, on behalf of the Board, I would like to say how grateful we are for the tireless efforts of over 9,000 Keywordians around the globe. It is thanks to their expertise, incredible hard work and dedication that we have been able to deliver the highest quality of work for our clients and address their ever-expanding needs.

Following the announcement of Andrew Day’s retirement as CEO in June this year, the search process for his successor is very well advanced and has attracted some very high calibre candidates and we are confident that we will be able to make a further announcement in the coming weeks.

During this interim period, we are very fortunate to have an extremely strong senior management team, with Jon Hauck and Sonia Sedler continuing as joint interim CEOs, who are well supported by the broader leadership team across the Group. Together, they have continued to both drive the Company's strategy forward and enhance its operational performance.

With our interim leadership team in place, our strong performance, leading market position, and strong balance sheet, we are well placed to continue to capitalise on the organic and acquisitive growth opportunities in our buoyant video games market and adjacent content industries.

Ross Graham
Chairman

CEO Review

Strong performance, despite some COVID-19 constraints

The Group performed strongly in H1 2021, with revenues up by 37.6% to €238.7m. This performance reflected our team’s hard work to deliver on the continued robust demand for our services, driven by a return to content creation following the disruption across the industry in 2020, complemented by growth through the recent high quality acquisitions.

Our remote working capabilities are proving highly effective, enabling us to support customers for as long as remote working is needed, and where returning to studios is not feasible. We are exceptionally proud of the efforts of our 9,000+ talented Keywordians who have worked tirelessly throughout this period to support our clients while continuing to deliver the excellent quality of service for which we have become well known.

Organic Revenue grew 22.9% for the Group in H1 (H1 2020: 8.0%, FY 2021: 11.7%), with all service lines performing well against the comparative period, during which certain service lines were held back by COVID-19 constraints. Audio and Testing delivered strong performances, with these service lines having seen more severe disruption in the prior year, whilst Art Creation, Marketing and Game Development have continued to grow strongly as the industry turned its attention to creating new content to keep its expanded player base engaged in games.

The Group's Adjusted EBITDA increased by 64.6% to €50.7m, representing a 3.4% pts improvement in margin to 21.2%. This was driven by operational leverage and continued good cost control, together with a reduction in certain costs due to COVID-19, primarily resulting from a higher proportion of remote working and lower costs relating to travel, business development and marketing. This translated into an increase in Adjusted Profit before Tax of 82.9% to €39.7m and an adjusted net profit before tax margin of 16.6%.

We are pleased that this profit performance has also translated into strong cash generation, with €37.7m of Adjusted Free Cash Flow (H1 2020: €10.9m) representing a 94.9% Adjusted Cash Conversion rate in the period (H1 2020: 50.2%). This demonstrates the strong cash generating characteristics of the business and provides the Group with further resources to fund its acquisition strategy.

We remain very confident in the Group's opportunity for growth as we capitalise on the continued trend towards outsourcing, an increased focus on content creation in a growing video games market, and our ability to increase our market share both through organic growth and the execution of our acquisition strategy.

Delivering on our strategy

The pandemic has only accentuated the opportunities afforded by our strategy, given the acceleration in demand for video games, our clients' renewed focus on content creation and the impetus for outsourcing having been exacerbated by clients' need for business continuity.

As we build our services platform, the Group continues to cement its position as the leader in a highly fragmented market, becoming the partner of choice for games publishers and developers when looking for global reach and deep expertise in video games. Against the backdrop of predominantly local, single-service providers, Keywords is increasingly benefitting from being the first choice external development and professional service provider of scale which can deliver the quality, flexibility, and security of service required to meet our global clients' growing demand for generating ever more sophisticated and immersive content. We continue to leverage the unique breadth of our platform by bringing the right combination of capabilities to support customers' individual objectives, enabling us to cross sell a broader range of our services.

Demand for video games accelerated during the pandemic, with an expansion of both the number of players and amount of game play, albeit this was primarily driven by the monetisation of existing content, with new content being held back and delayed due the production constraints across the industry. In 2021, we have seen an acceleration in demand for content production, particularly in the 'early stages' of the game development cycle, benefitting our Game Development and Art Services teams. Industry activity has been further boosted by a continued shift towards 'Games as a service', which requires ongoing content expansion to extend the lifespan of a game, creating continuous demand for the Group's services.

Demand for our services is also being driven by the launch of next generation games consoles, PlayStation 5 and Xbox Series X|S. Whilst the launch of the new consoles has been held back by supply constraints, we expect this to drive a refresh of the entire console based gaming sector after a seven year run of the PS4 and Xbox One console generation. This is likely to result in an enlarged market for video games content over the coming years and an associated demand for new content creation, which in turn drives demand for Keywords' services. Further development of new and existing video games streaming platforms also continues to increase demand for content and its ongoing support in live operation. We note the recent regulatory developments in the domestic Chinese video game market, and whilst we have a strong and expanding footprint in China, our work with Chinese customers (<5% of Group revenues) largely relates to content targeted at overseas markets and not domestic China.

We continue to invest in the business, both organically and through targeted acquisitions to position the Group as an increasingly strategic partner to our clients and as the 'go to' provider to the video games industry across our service lines and key geographies.

We are delighted to have welcomed four new companies to the Keywords family since the beginning of the year. Heavy Iron Studios, Tantalus and Climax Studios add substantial scale and capabilities to our Game Development Service line as well as reach into, and access to talent in, the US West Coast and Australia. Whilst AMC adds significant expertise to Art Creation and access to talent though a new presence in Romania for the Group.

We continue to actively review a healthy pipeline of further acquisition opportunities.

Embracing new ways of working

Our remote working capabilities are proving highly effective, enabling us to support customers for as long as remote working is needed, and where returning to studios is not feasible. Having consulted those who really matter, our Keywordians, our employee survey showed a spread of opinion, with 43% preferring to continue to work from home, 10% wishing to return to office based working, and 47% preferring a combination. We therefore expect that, once we are through COVID-19 restrictions, we will adopt a hybrid model of offering vibrant, engaging and safe studio space, whilst also enabling our people to work securely and constructively from home.

We continue to believe that there is a clear role for physical studios for the Group, particularly to allow for the exchange of creative ideas, for training, and in our Testing and Audio service lines. We have, therefore, continued to invest in new studios in Bangalore and Manila, as well as two new studios in second-tier cities in China, to support our growth today and into the future.

In the short term, we anticipate maintaining our effective remote working model in the majority of locations for the rest of the year, whilst retaining a flexible approach tailored to studios' needs in each of the 70+ locations and prioritising activities in studios that are harder to perform remotely. We have worked hard to engage with and recognise the efforts of our Keywordians and to support their wellbeing in this remote working environment. This includes increasing the awareness of our Employee Assistance Programmes that provide support services and training on wellbeing, and introducing a number of initiatives to help foster engagement and personal support, such as guest speakers on mental health, wellbeing habits, nutrition talks, virtual yoga and dance lessons, Friday evening online events, and team quiz nights to name but a few.

Responsible Business

We remain committed to conducting our business responsibly and operating to the highest levels of honesty, integrity and ethical conduct. We have all been shocked and saddened to see the news stories of psychological, physical, and sexual harassment within certain parts of the gaming industry. At Keywords we do not tolerate any form of abuse, discrimination, or harassment. Human talent is our most valuable asset and as a multi-cultural business we thrive in diversity and continually challenge ourselves to ensure we provide a working environment that treats people with dignity and respect, is free from any form of discrimination, and promotes fairness and equal opportunities. We cannot and will not be complacent and, throughout the Company, we are committed to actions that will protect an inclusive working environment.

We are continuing to make progress on our six priority areas of People, Diversity, Customer Centricity & Innovation, Communities and the Environment, underlined by Corporate Governance and Business Ethics.

We are excited to announce our partnership with Women in Games, which sees Keywords help power their 500 strong Ambassador programme across 52 countries which allow us to be more active in addressing the underrepresentation of women in our industry. Women in Games is a not-for-profit organisation founded in 2009, with the mission to identify and effect the lasting change needed to bring about full gender equality, equity and parity of opportunity within the gaming sector and to encourage more women to consider games and eSports as a career. Through this partnership, we will leverage our global platform and client relationships to enhance and accelerate the popular ambassador initiative, enabling it to scale through additional projects and research, events, exclusive materials and services for Women in Games ambassadors.

The gender diversity of our Board has continued to improve in the period and female Directors now make up 33% of the Board (versus 25% in January 2021).

Following the quantification of our greenhouse gas emissions for the first time in 2020, in 2021 we have developed the Group's first Environmental Policy covering our Energy and Recycling practices. The policy will help further develop our Sustainable Studios programme and support our studios in their efforts to minimise energy usage and to reduce, recycle and reuse wherever possible.

Various initiatives were rolled out to help support colleagues, including through COVID-19 vaccine clinics and more recently, the support for colleagues impacted by hurricane in New Orleans.

Both our recently announced NEDs, Marion Sears and Neil Thompson, have joined our ESG Board Committee, bringing strong expertise and experience to the Committee.

Service line review

All our services lines grew during H1 2021, despite the pandemic and the operational challenges it continues to present.

The following table provides a summary of our revenues by service line, with growth rates on a reported and Organic Revenue growth basis, and breaking out Marketing for the first time. We have also presented a trailing twelve month Pro Forma Revenue by service line, which includes the annualised revenue of all acquisitions made in H1, to provide a better overview of the size and balance of the business at the end of the period. The service line commentary below reports on the statutory reported revenues, unless otherwise stated.

Revenue	% of H1 2021 Group revenue	H1 2021 Revenue €m	H1 2020 Revenue €m	Change year on year %	H1 2021 Organic Revenue growth %	12 months to 30 June 2021 Pro Forma Revenue €m
Art Creation*	**9.5%**	22.7	18.9	20.1%	**25.4%**	**42.7**
Marketing*	**9.7%**	23.2	7.4	213.5%	**50.6%**	**34.2**
Game Development	**26.5%**	63.3	38.7	63.6%	**15.5%**	**123.6**
Audio*	**11.9%**	28.3	20.9	35.4%	**36.4%**	**54.6**
Functional Testing	**18.1%**	43.3	35.8	20.9%	**24.3%**	**86.0**
Localization*	**9.7%**	23.2	21.3	8.9%	**10.7%**	**47.3**
Localization Testing	**5.3%**	12.6	10.7	17.8%	**19.6%**	**25.2**
Player Support	**9.3%**	22.1	19.8	11.6%	**17.7%**	**44.1**
Total	**100.0%**	**238.7**	**173.5**	**37.6%**	**22.9%**	**457.7**

* The prior year comparative has been re-classified to separately report Marketing services, previously reported within the Art creation service line. In addition, there was a minor re-classification between Audio and Localization.

Art Creation (9.5% of Group revenues for H1)

Our Art Creation service line creates graphical art assets for video games including concept art creation, 2D and 3D art asset production and animation.

H1 2021 performance

Art Creation performed well with revenues up by 20.1% to €22.7m (H1 2020: €18.9m). Organic Revenue, which excludes the impact of currency movements and acquisitions, grew by 25.4% for Art Creation, following a continuation in strong underlying client demand across all art studios.

We have continued to expand this service line, with the addition of two new studios in second-tier cities in China, which provide us with additional access to talent to support the work for our clients, as well as two new studios in Bangalore and Manila. While our artists in China have fully returned to studios following the initial stages of the COVID-19 pandemic in 2020, our Indian artists continue to work from home, delivering excellent growth despite the ongoing constraints.

In August, we added the Group's first presence in Romania through the high quality acquisition of AMC. AMC is a long established, high quality specialist art studio servicing both US and European clients and we believe it will add significant expertise and experience to this service line, as well as access to an attractive market for talent in Romania.

The market opportunity and outlook

Art Creation operates in a large addressable market, which remains highly fragmented yet clients seek partners that are able to deliver increasingly added value through more creative, technical, and managed services.

We expect Art Creation to continue to deliver strong growth in the second half given that we have better than normal visibility and as this service line is well placed to scale up to meet continued buoyant client demand.

Marketing (9.7% of Group revenues for H1)

Following its recent growth and scale within the Group, we are now reporting Marketing as a standalone service line for the first time in these results.

Marketing services including game trailers, marketing art and materials, PR and full brand campaign strategies which we are building through acquisitions, and subsequent organic growth.

H1 2021 performance

Marketing revenues grew by 213.5% to €23.2m (H1 2020: €7.4m) with the benefit of contributions from the acquisitions of Maverick Media, g-Net and Indigo Pearl, made in the second half of 2020. Organic Revenue, which excludes the impact of currency movements and acquisitions, grew by 50.6% with clients switching their focus to online and digital marketing in the absence of physical industry events.

The market opportunity and outlook

The Marketing services sector is particularly fragmented, given the range of services provided both internally and externally from key art, trailer creation, advertising, PR, branding, campaign management, influencer marketing and social media management through to marketing analytics and community management.

Our aim is to establish our highly specialised video games Marketing Services business as the partner of choice for games publishers and developers when looking for global reach and deep expertise in a sector, which is unique by virtue of the interactive nature of the product and the strength of the gaming communities that form around the games. The acquisitions of g-Net and Maverick, now the two largest studios in the service line, and Indigo Pearl in 2020 have secured Keywords' place as the dominant player in the industry for video games marketing and we now have a considerably expanded platform from which to further build the breadth of our capabilities, organically and through selective acquisitions.

We expect marketing to build on a successful H1 with continued growth in H2, albeit at a more moderate level given the exceptional organic growth in H1 and the stronger comparatives in H2 of the prior year.

Game Development (26.5% of Group revenue for H1)

Our largest service line, Game Development, provides external development services to game developers and publishers including full game development, co-development, porting and general software engineering consultancy.

H1 2021 performance

Game Development, increased revenues by 63.6% to €63.3m (H1 2020: €38.7m). This increase reflected contributions from Coconut Lizard and High Voltage acquired in 2020, and Heavy Iron, Tantalus and Climax which all completed in H1 2021. Game Development is now our largest service line with 16 studios in 9 countries and over 1,350 developers.

Game Development achieved a 15.5% increase in Organic Revenue (which excludes the impact of currency movements and acquisitions) with a renewed focus on content creation driving strong demand for our services despite the curtailment of our usual tradeshow-centric, business development activities. Our ability to meet demand is constrained by a challenging recruitment climate, where skilled resources are in high demand and COVID-19 adds additional challenges around training and on-boarding activities.

In H1 2021, we announced two high quality businesses to grow and diversify our Game Development offering further:

- Tantalus - a leading and prolific developer of high quality, multi-platform titles based in Melbourne, Australia which provides us with access to a new talent pool and offers an excellent entry point into the Australian market for further expansion in the Pacific region, both organically and through acquisitions.

- Climax - one of the longest established game development businesses in the UK, offering full game development, co-development, porting and technical consulting services to some of the world's largest games publishers through a team of 109 talented developers.

The market opportunity and outlook

Game Development is our largest addressable market. The market is growing strongly and has the lowest proportion of services outsourced of all of the Group's service lines.

Demand remains very strong and we expect continued good growth for Game Development in H2 as we focus on talent acquisition, and using the resources we have globally, to enable the business to service as much of that demand as possible. We remain a highly attractive prospect for games developers, who recognise the opportunities that Keywords provides for a sustainable variety of exciting work, as well as good career advancement, including the option to work across our expanding international footprint, and to be part of a strong culture amongst like-minded, games-passionate colleagues. Given the strong demand for talent, we expect to see some wage inflation as we move through the second half and beyond and we will continue to take account of our cost structure as we negotiate each project with our clients, who are only too aware of the talent challenge themselves.

As previously communicated, Game Development remains an area of particular focus in our M&A programme, where we continue to assess companies that provide access to strong pools of talent to help support the fast pace of organic growth.

Audio (11.9% of Group revenue for H1)

Our Audio service line provides multi language voice-over, original language voice recording, music, sound design, accessibility and related services to the Video Games and Film and TV industries.

H1 2021 performance

Audio revenues rose by 35.4% in the period to €28.3m (H1 2020: €20.9m), with Organic Revenue, which excludes the impact of currency movements and acquisitions, increasing by 36.4% compared to H1 2020.

Our Audio services business recovered strongly following COVID-19 impacts throughout 2020 but particularly in H1 2020 when a number of our recording studios closed during the lockdowns and as it took time to put in place remote solutions. Our music management services, sound design and sound effects businesses have continued to grow, as did our work in subtitling and dubbing of film and TV content where we serve clients such as Netflix and other streaming providers, albeit growth has been constrained by ongoing delays to filming of new content.

The market opportunity and outlook

Demand for our Audio services remains strong albeit we are expecting growth rates to moderate in H2 due to the stronger comparatives in H2 of the prior year. Whilst all of our recording studios have now reopened, our investment in a reliable remote recording solution enables us to continue to deliver on our clients' needs in the event of further Studio closures.

Beyond the near term, the audio services market remains highly fragmented in terms of service provision, with clients and voice actors favouring professional, high quality sound studios for optimal voice recording. This represents an opportunity for us to grow our market share organically, as well as make select acquisitions over time, as audio content increases for both console and mobile games.

Functional Testing (18.1% of Group revenue for the year)

Functional Testing is our second largest service line and provides quality assurance, including discovery and documentation of game defects and testing to verify the game's compliance with hardware manufacturers' and distribution platforms' specifications, as well as test automation tools and services, crowd-based and focus group testing solutions.

H1 2021 performance

Functional Testing revenues increased by 20.9% to €43.3m (H1 2020: €35.8m). Organic Revenue, which excludes the impact of currency movements and acquisitions, increased by 24.3%. This strong performance was delivered against softer comparators given the service line was considerably constrained at the beginning of the lockdowns in H1 2020, as we needed to work through our agreements with our clients to reflect the new security protocols required in a remote working environment, rather than our norm of conducting these services in our secure testing studios.

The market opportunity and outlook

We remain a leading player in this large and growing area of the market that is seeing an accelerating trend towards outsourcing. Our scale, flexibility, geographical spread and proven robustness, even in the most challenging of circumstances, positions us well as games companies continue to increase the proportion of functional testing that they outsource.

Our testing services operate at the later stages of the game development cycle and are experiencing some delays in content flowing to us following the previous disruption to earlier stage content creation. As the content production cycle works through, we expect testing activity to pick up we move through the second half and we remain ready to scale quickly as demand returns.

Localization (9.7% of Group revenue for the year)

Our Localization service line provides translation of in-game text, audio scripts, cultural and local adaptation, accreditation, packaging and marketing materials in over 50 languages. It includes our proprietary technologies for content management, machine translation, crowd sourcing and workflow management.

H1 2021 performance

Localization revenues were up 8.9% to €23.2m (H1 2020: €21.3m). Organic Revenue, which excludes the impact of currency movements and acquisitions, was up by 10.7%, against softer comparatives. This improvement reflects the reflow of projects delayed in 2020, when production schedules were disrupted at some of our clients.

The market opportunity and outlook

The Localization market remains highly fragmented and characterized by most competitors being single language providers without the scale to deliver simultaneous multi-jurisdictional localization projects for our global video games customer base. Our clients are increasingly looking to Keywords for a more streamlined and distributed production process, resulting in the adoption of our game asset management system, XLoc, which in turn ensures we are ever more integrated into their workflows. Combining the market leading expertise we have built up in localization over the past 20 years, with proprietary software tools, like XLoc, and Artificial Intelligence (AI) and Machine Learning (ML) technology from Kantan, enables us to effectively manage a greater volume of content for our clients.

Having strengthened our sales efforts last year, we expect to continue to deliver growth into H2 2021 reflecting underlying momentum moderated by some delays in the flow of content to this late stage service line, as is being seen in Testing.

Localization Testing (5.3% of Group revenue for the year)

Our Localization Testing service line identifies out of context translations, truncations, overlaps, spelling, grammar, age rating issues, geopolitical and cultural sensitivities, and console manufacturer compliance requirements in over 30 languages using native speakers.

H1 2021 performance

Localization Testing revenue increased by 17.8% to €12.6m (H1 2020: €10.7m). On an Organic basis, which excludes the impact of currency movements, Localization Testing was 19.6% higher compared to H1 2020.

This better performance was delivered against softer comparators as Localization Testing experienced the same initial operational disruption and constraints seen in our Functional Testing division during H1 2020, but compounded by some lack of availability of native language resources due to people returning to be with their families in their home countries and the subsequent travel restrictions.

The market opportunity and outlook

In this service line, the Group's scale, breadth of languages, multi-location operations and resourcing agility enable it to offer a cost effective, flexible and high quality service which is difficult for smaller competitors to replicate. Our market leadership positions us well for further growth as we continue to develop our operations in Montreal, Dublin, Katowice, Milan, Singapore and Tokyo.

As with Functional testing, we are not expecting to see the typically higher seasonal activity in the second half of the year due to a shift in the flow of content into these later stage service lines, which will hold back revenue growth in H2 overall but is expected to recover as content reflows in to these services lines during H2.

Player Support (9.3% of Group revenue for the year)
Our Player Support service line 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, ensuring our customers have a safe player environment.

H1 2021 performance

Player Support increased revenue by 11.6% to €22.1m (H1 2020: €19.8m) and Organic Revenue, which is on a constant currency basis, by 17.7%.

The nature of Player Support's services mean that it has benefitted more directly from the increase in game players that the industry has seen, as it continues to deliver further client growth and strengthen its services in areas such as social media, quality control and consulting. Having successfully transitioned teams in 2020 to remote working that enabled us to provide continuous support to our clients, we are planning to retain some flexibility between working in the office and from home.

The market opportunity and outlook

Player Support's growth demonstrates the benefits of our strategy to differentiate it from the large generalist call centre operators and immerse ourselves even further into gaming communities with complete player experience coverage. This has been achieved by extending our services to cover more 'touch points' of gamer engagement, and by developing our systems and tools to enable us to manage increased volumes of transactions efficiently.

Our specialist video games "DNA", extensive range of capabilities and fundamental understanding of what is important to players, continues to position us well in terms of the quality of our service delivery compared to more generalist providers, and we expect to make further progress in H2, albeit at a more moderate growth rate.

Outlook
Trading has started well in H2, as we continue to see strong demand across most of our service lines and the benefit from a highly diversified range of services which are well balanced across the game development lifecycle. We expect growth rates to moderate in H2, given stronger comparatives in H2 2020, and we are working to mitigate recruitment constraints as we seek to meet strong demand. Whilst it is encouraging to be able to start utilising our physical studio locations, our flexible hybrid working model is now well established across all of our service lines and 70+ locations, so we would not expect our ability to service our clients to be as operationally constrained as we saw last year, even if further government restrictions are applied.

The underlying drivers of growth in the video games market remain in place, with strong growth in player numbers, the impact of newly launched consoles, and a renewed focus on new and ever more sophisticated content, following the delays caused by COVID-19, all creating significant demand for our services. Our Game Development, Marketing and Art Creation service lines, which work at the earlier stages and throughout the content creation cycle, are particularly expected to benefit from this increased activity throughout H2. Whilst we anticipate that demand for our later stage services, Testing and Localization, will build as content flows into them as we move through the second half and beyond.

Beyond those underlying growth drivers, the strong trend towards outsourcing has only been accentuated by COVID-19, which brought in to focus our clients' need for high quality, flexible support from scale operators who can deliver their needs, even in the most extreme circumstances. As we continue to build our platform, we are actively reviewing acquisitions that would add expertise, particularly in Game Development and Marketing, access to talent or meaningful synergies, whilst retaining an interest in adjacent markets such as film and television services, which are increasingly converging towards video game development technology.

The Board is confident in delivering recently increased expectations for the full year and we believe our strategy, our sought after team of 9,000+ specialists, and strong structural drivers leave Keywords well positioned to benefit from the buoyant video games market.

Jon Hauck and Sonia Sedler
Joint Interim CEOs

Financial and Operating Review

Strong revenue growth and margin performance

Revenue

Revenue for H1 2021 increased by 37.6% to €238.7m (H1 2020: €173.5m). This growth was supplemented by the impact of acquisitions in 2020 and 2021, but offset by the impact of currency movements, particularly the weakening of the US dollar against the Euro in the period.

Organic Revenue growth (which adjusts for the impact of currency movements and acquisitions) was up 22.9%. This was driven by a robust performance across all service lines, against the comparative period in H1 2020 where certain service lines were more severely held back by COVID-19 constraints, particularly in our Testing and Audio businesses. Further details of the trading performances of each of the Service Lines are provided in the CEO Review.

Gross margin

Gross margin in H1 2021 was €91.1m (H1 2020: €62.9m) representing an increase of 44.8%. The gross margin improved by 1.9% pts to 38.2% (H1 2020: 36.3%) compared to the prior period that was held back by the revenue shortfalls in the early stages of the pandemic, particularly in our Testing, Audio and Localization service lines.

Operating costs

Adjusted operating costs increased by 25.9% to €40.4m (H1 2020: €32.1m), reflecting the larger Group, but reduced to 16.9% of revenue versus 18.5% in H1 2020. This reduction was driven by continued good cost control, together with reductions in certain costs due to COVID-19, primarily resulting from remote working and lower travel, business development and marketing costs.

EBITDA

Adjusted EBITDA increased 64.6% to €50.7m compared with €30.8m for H1 2020. The EBITDA margin in H1 2021 reflects the improved revenue noted above and this, combined with the benefit of a full six months of the ongoing reduction in certain costs due to COVID-19, resulted in an improvement in Adjusted EBITDA margin of 3.4% pts to 21.2% (H1 2020: 17.8%).

Net finance costs

Net finance costs increased by €0.8m to €2.4m (H1 2020: €1.6m), driven by an €0.7m increase in unwinding of discounted liabilities and a €0.3m increase in net foreign exchange loss (which is described in more detail below) offset by a €0.2m decrease in underlying interest costs on bank debt (which excludes unwinding of discounted liabilities, bank charges and foreign exchange) to €0.4m (H1 2020: €0.6m). This reflected the repayment of drawings on the RCF following the placing in May 2020 and, since then, the Group has maintained a strong net cash position despite the Group’s acquisition spend.

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 accounts 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 2021 €m	H1 2020 €m
Share option expense	8.5	6.8
Acquisition and integration costs	1.5	1.2
Amortisation and impairment of intangible assets	6.6	5.7
COVID-19 government subsidies claimed	-	(3.4)
Foreign exchange and other items	1.2	0.3
	17.8	**10.6**

1.5m of options were granted under the Share Option Scheme and Long Term Incentive Plan in H1 2021. This, together with grants from previous years, has resulted in a non-cash share option expense of €8.5m in H1 2021 (H1 2020: €6.8m). The increase is largely due to an increase in the fair value charge for the more recent grants compared to previous years reflecting the increase in the share price.

One-off costs associated with the acquisition and integration of businesses amounted to €1.5m (H1 2020: €1.2m). Amortisation and impairment of intangible assets charge increased by €0.9m to €6.6m (H1 2020: €5.7m) reflecting the recent levels of acquisition activity.

Foreign exchange and other items amounted to a net charge of €1.2m (H1 2020: €0.3m). This includes €0.7m for the unwinding of discount liabilities on deferred consideration. Keywords does not hedge foreign currency exposures. The effect 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. This resulted in a net foreign exchange loss of €0.5m, recorded within financing cost (H1 2020: €0.3m loss).

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 statement.

Profit before taxation

Profit before tax increased by €10.8m (+97.3% year on year) to €21.9m (H1 2020: €11.1m). Adjusted Profit Before Tax, which adjusts for the items described in the APMs section above increased by €18.0m (+82.9% year on year) to €39.7m compared with €21.7m in H1 2020. This represents an improvement in Adjusted profit before tax margin of 4.1% pts to 16.6% (H1 2020: 12.5%). This is above the Group's historical margin delivery of between 14-15% and partly reflects the short-term benefit from certain costs savings as a result of COVID-19 that are not expected to be sustainable.

Taxation

The tax charge increased by €1.6m to €6.3m (H1 2020: €4.7m) largely reflecting the increase 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 2021 was 21.5% (H1 2020: 21.5%), in line with the rate of 21.5% in 2020.

Earnings per share

Basic earnings per share increased by 119.8% to 20.86c (H1 2020: 9.49c) reflecting the increase in the statutory profit after tax of 144.3%, partially offset by an 11.1% increase in the basic weighted average number of shares following the 10.5% equity placing in May 2020. Fully diluted earnings per share, reflecting the impact of unvested share options, increased by 116.6% to 19.73c (H1 2020: 9.11c)

Adjusted earnings per share which adjusts for the items noted in the APMs section and the tax impact arising on these items above was 41.57c representing an increase of 64.6% (H1 2020: 25.25c).

Cash flow and net debt

Cash flow statement	H1 2021 €m	H1 2020 €m	Change €m
Adjusted EBITDA	**50.7**	**30.8**	**19.9**

MMTC and VGTR	(3.8)	(4.3)	0.5
Working capital and other items	1.7	(6.6)	8.3
Capex - property, plant and equipment (PPE)	(9.4)	(4.9)	(4.5)
Capex - intangible assets	(0.2)	-	(0.2)
Payments of principal on lease liabilities	(4.6)	(3.9)	(0.7)
COVID-19 employment support subsidies	-	3.4	(3.4)
Operating cash flows	**34.4**	**14.5**	**19.9**
Net Interest paid	(0.8)	(0.9)	0.1
Free cash flow before tax	**33.6**	**13.6**	**20.0**
Tax	(9.8)	(2.0)	(7.8)
Free cash flow	**23.8**	**11.6**	**12.2**
M&A - acquisition spend	(44.7)	(1.3)	(43.4)
M&A - acquisition and integration costs	(1.5)	(1.2)	(0.3)
Dividends paid	-	-	-
Shares issued for cash	2.3	110.7	(108.4)
Underlying increase / (decrease) in net cash / (debt)	**(20.1)**	**119.8**	**(139.9)**
FX and other items	1.3	(0.9)	2.2
Increase in net cash / (debt)	**(18.8)**	**118.9**	**(137.7)**
Opening net cash / (debt)	102.9	(17.9)	
Closing net cash / (debt)	**84.1**	**101.0**	

The Group generated Adjusted EBITDA of €50.7m in H1 2021, an increase of €19.9m from €30.8m in H1 2020. There was a €3.8m outflow in respect of the amounts due for Multi-Media Tax Credits (MMTC) that are earned in the year of production, and are collected a year in arrears, and Video Games Tax Relief (VGTR). Other working capital improved by €8.3m compared to H1 2020 due to trade receivable days improving by 5 days to 41 days (H1 2020: 46 days).

Investment in property, plant and equipment increased by €4.5m (91.8%) to €9.4m (H1 2020: €4.9). This reflects a return to more normal levels of spending following the COVID-19 disruption in the prior period that resulted in a reduction in both the level of equipment expenditure and expansionary capex. Property lease payments of principal of €4.6m were 17.9% higher than the prior period (H1 2020: €3.9m) mainly related to acquisitions in the period.

The Group received no COVID-19 government employment retention subsidies in H1 2021, resulting in operating cash flows of €34.4m (H1 2020: €14.5m), an increase of €19.9m on H1 2020.

Net interest payments were €0.8m, a decrease of €0.1m on H1 2020 as a result of the repayment of drawings on the RCF following the placing in May 2020. Tax payments amounted to €9.8m (H1 2020: €2.0m) an increase of €7.8m on the same period when the Group benefitted from timing differences that resulted in less payments in the period in respect of the 2020 tax payable.

This resulted in Free Cash Flow of €23.8m (H1 2020: €11.6m), an increase of €12.2m on the prior period. Adjusted Free Cash Flow, which adjusts for capital expenditure that is supporting growth in future periods and the COVID-19 government employment retention subsidies in the prior year, was €37.7m in H1 2021, an increase of €26.8m (+245.9%) on the levels delivered in H1 2020. This resulted in an Adjusted Cash Conversion rate of 94.9% (H1 2020: 50.2%).

Cash spent on acquisitions totalled €46.2m of which €44.7m was in respect of the cash component of both current and prior year acquisitions and €1.5m was in relation to acquisition and integration costs. These items, together with foreign exchange movements of €1.3m resulted in a decrease in net cash of €18.8m in H1 2021 (H1 2020: increase in net cash: €118.9m) and a closing net cash of €84.1m (H1 2020: net cash €101.0m, FY 2020: net cash €102.9m).

Balance sheet and liquidity

The Group funds itself primarily through cash generation and a syndicated revolving credit facility (RCF) of €100m, with an accordion option to increase this up to €140m. The RCF matures in October 2022 with an option to extend it for up to a further year.

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 3 times; and
- Interest cover: Minimum Adjusted Operating Profit to Net Finance Costs ratio of 4 times.

The Group entered the year with a strong balance sheet, with net cash (excluding IFRS 16 leases) of €102.9m as at 31 December 2020. Following €46.2m of cash deployed in the period to support the Group's value accretive M&A programme, at the end of H1 2021, Keywords had net cash (excluding IFRS 16 leases) of €84.1m and undrawn committed facilities of €100m.

Dividend

Following a period of robust growth and increased profitability and cash generation, and reflecting the Board's confidence in the future, the Board is pleased to declare an interim dividend of 0.70p per share (H1 2020: 0.00p, H1 2019: 0.58p) representing an increase of 20.7% on the 2019 interim dividend. The Board's progressive dividend policy 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, in line with our strategy.

Payments will be made on 29 October 2021 to shareholders on the register on 8 October 2021 and will go ex-dividend on 7 October 2021. The interim dividend payment will represent a total cost of approximately €0.6m of cash resources.

Guidance for remainder of 2021

We have made a strong start to the year and expect demand to continue across most service lines, albeit with organic growth rates and margins moderating against stronger H2 2020 comparatives, and as some costs return with the easing of restrictions.

Full year adjusted profit before tax margins are now expected to exceed our 14 – 15% historical range but we expect margins to return towards this range in 2022 as we continue to invest in the business and with a return of certain costs with the easing of restrictions. Adjusted Effective Tax rate is expected to be remain in line with the 2020 rate of ~21%.

We continue to anticipate capex at a higher level than in 2020 relative to revenue, reflecting some expansionary capex and investment in equipment to support the new console cycle, and we are targeting an overall Adjusted Cash Conversion rate in excess of 80%.

Following the trading update in early August, all of the above items are reflected in the current revenue and profit market consensus* for 2021.

Jon Hauck
Chief Financial Officer

*As at 14th September 2021, company compiled analysts' expectations gave a consensus for FY 2021 of €498m of revenue and €79m of adjusted profit before tax.

Condensed interim consolidated statement of comprehensive income

	Note	**Unaudited Half Year 30 Jun 21 €'000**	Unaudited Half Year 30 Jun 20 €'000	Audited Year 31 Dec 20 €'000
Revenue from contracts with customers	5	**238,664**	173,485	373,538
Cost of sales		**(147,541)**	(110,565)	(231,766)
Gross profit		**91,123**	62,920	141,772
Investment income		**-**	-	1,437
Share option expense		**(8,454)**	(6,750)	(15,350)
Costs of acquisition and integration		**(1,464)**	(1,185)	(2,650)
Amortisation and impairment of intangible assets	9	**(6,553)**	(5,662)	(8,808)
COVID-19 government subsidies claimed		**-**	3,411	9,231
Total of items excluded from adjusted profit measures		**(16,471)**	(10,186)	(17,577)
Other administration expenses		**(50,331)**	(39,997)	(84,513)
Administrative expenses		**(66,802)**	(50,183)	(102,090)
Operating profit		**24,321**	12,737	41,119
Financing income	6	**49**	31	76
Financing cost	6	**(2,442)**	(1,674)	(8,701)
Profit before taxation		**21,928**	11,094	32,494
Taxation		**(6,286)**	(4,691)	(11,027)
Profit		**15,642**	6,403	21,467
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit plans		**(100)**	(82)	(421)
Items that may be reclassified subsequently to profit or loss				
Exchange gain / (loss) in net investment in foreign operations		**3,118**	(304)	(4,909)
Exchange gain / (loss) on translation of foreign operations		**8,713**	(7,297)	(10,843)
Total comprehensive income / (expense)		**27,373**	(1,280)	5,294
Profit / (loss) for the period attributable to:				
Owners of the parent		**15,675**	6,453	21,552
Non-controlling interest		**(33)**	(50)	(85)
		15,642	6,403	21,467
Total comprehensive income / (expense) attributable to:				
Owners of the parent		**27,406**	(1,230)	5,379
Non-controlling interest		**(33)**	(50)	(85)
		27,373	(1,280)	5,294
Earnings per share		**€ cent**	€ cent	€ cent
Basic earnings per ordinary share	7	**20.86**	9.49	30.32
Diluted earnings per ordinary share	7	**19.73**	9.11	28.71

Condensed interim consolidated statement of financial position

	Note	**Unaudited At 30 Jun 21 €'000**	Unaudited At 30 Jun 20 €'000	Audited At 31 Dec 20 €'000
Non-current assets				
Property, plant and equipment	9	**31,443**	21,988	26,419
Right of use assets	9	**39,453**	31,321	27,807
Intangible assets	9	**343,273**	188,657	240,810
Deferred tax assets		**18,494**	5,698	14,649
		432,663	247,664	309,685
Current assets				
Trade receivables	10	**62,405**	44,941	47,832
Other receivables	10	**46,988**	43,941	38,665
Cash and cash equivalents		**84,285**	101,213	103,070
		193,678	190,095	189,567
Current liabilities				
Trade payables		**9,060**	6,434	8,170
Other payables	13	**98,286**	42,703	62,958
Loans and borrowings	14	**-**	76	73
Corporation tax liabilities		**9,112**	5,984	12,568
Lease liabilities	16	**11,353**	8,186	7,361
		127,811	63,383	91,130
Net current assets / (liabilities)		**65,867**	126,712	98,437
Non-current liabilities				
Other payables	13	**21,659**	11	1,994
Employee defined benefit plans		**2,989**	2,049	2,693
Loans and borrowings	14	**165**	142	122
Deferred tax liabilities		**16,485**	8,879	10,575
Lease liabilities	16	**29,434**	23,801	21,503
		70,732	34,882	36,887
Net assets		**427,798**	339,494	371,235
Equity				
Share capital	11	**896**	872	879
Share capital - to be issued	11	**4,808**	3,033	13,047
Share premium	11	**25,198**	21,836	22,951
Merger reserve	11	**276,987**	244,845	250,276
Foreign exchange reserve		**1,843**	(1,837)	(9,988)
Shares held in Employee Benefit Trust ("EBT")		**(1,997)**	(1,997)	(1,997)
Share option reserve		**40,253**	23,199	31,799
Retained earnings		**79,893**	49,558	64,318
		427,881	339,509	371,285
Non-controlling interest		**(83)**	(15)	(50)
Total equity		**427,798**	339,494	371,235

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 option 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 2020	780	5,310	20,718	132,712	5,764	(1,997)	16,449	43,187	222,923	35	222,958
Profit for the period	-	-	-	-	-	-	-	6,453	6,453	(50)	6,403
Other comprehensive income	-	-	-	-	(7,601)	-	-	(82)	(7,683)	-	(7,683)
Total comprehensive income for the period	-	-	-	-	(7,601)	-	-	6,371	(1,230)	(50)	(1,280)
Contributions by and contributions to the owners:											
Shares issued for cash	77	-	-	109,459	-	-	-	-	109,536	-	109,536
Share option expense	-	-	-	-	-	-	6,750	-	6,750	-	6,750
Share options exercised	13	-	1,118	-	-	-	-	-	1,131	-	1,131
Acquisition related issuance of shares	2	(2,277)	-	2,674	-	-	-	-	399	-	399
Contributions by and contributions to the owners	92	(2,277)	1,118	112,133	-	-	6,750	-	117,816	-	117,816
At 30 June 2020	872	3,033	21,836	244,845	(1,837)	(1,997)	23,199	49,558	339,509	(15)	339,494
Profit for the period	-	-	-	-	-	-	-	15,099	15,099	(35)	15,064
Other comprehensive income	-	-	-	-	(8,151)	-	-	(339)	(8,490)	-	(8,490)
Total comprehensive income for the period	-	-	-	-	(8,151)	-	-	14,760	6,609	(35)	6,574
Contributions by and contributions to the owners:											
Shares issued for cash	-	-	-	(87)	-	-	-	-	(87)	-	(87)
Share option expense	-	-	-	-	-	-	8,600	-	8,600	-	8,600
Share options exercised	3	-	1,115	-	-	-	-	-	1,118	-	1,118
Acquisition related issuance of shares	4	10,014	-	5,518	-	-	-	-	15,536	-	15,536
Contributions by and contributions to the owners	7	10,014	1,115	5,431	-	-	8,600	-	25,167	-	25,167
At 31 December 2020	**879**	**13,047**	**22,951**	**250,276**	**(9,988)**	**(1,997)**	**31,799**	**64,318**	**371,285**	**(50)**	**371,235**
Profit for the period	-	-	-	-	-	-	-	15,675	15,675	(33)	**15,642**
Other comprehensive income	-	-	-	-	11,831	-	-	(100)	11,731	-	**11,731**
Total comprehensive income for the period	-	-	-	-	11,831	-	-	15,575	27,406	(33)	**27,373**
Contributions by and contributions to the owners:											
Shares issued for cash	6	-	2,247	-	-	-	-	-	2,253	-	**2,253**
Share option expense	-	-	-	-	-	-	8,454	-	8,454	-	**8,454**
Acquisition related issuance of shares (note 11)	11	(8,239)	-	26,711	-	-	-	-	18,483	-	**18,483**
Contributions by and contributions to the owners	17	(8,239)	2,247	26,711	-	-	8,454	-	29,190	-	**29,190**
At 30 June 2021	**896**	**4,808**	**25,198**	**276,987**	**1,843**	**(1,997)**	**40,253**	**79,893**	**427,881**	**(83)**	**427,798**

Condensed interim consolidated statement of cash flows

	Note	**Unaudited Half Year 30 Jun 21 €'000**	Unaudited Half Year 30 Jun 20 €'000	Audited Year 31 Dec 20 €'000
Cash flows from operating activities				
Profit after tax		**15,642**	6,403	21,467
Income and expenses not affecting operating cash flows				
Depreciation - property, plant and equipment	9	**5,347**	4,209	8,983
Depreciation - right of use assets	9	**4,789**	3,935	8,402
Amortisation and impairment of intangible assets	9	**6,553**	5,662	8,808
Taxation		**6,286**	4,691	11,027
Share option expense		**8,454**	6,750	15,350
Fair value adjustments to contingent consideration		**-**	(34)	(66)
Fair value adjustments to right of use assets		**-**	239	434
Unwinding of discounted liabilities - deferred consideration	6	**736**	119	132
Unwinding of discounted liabilities - lease liabilities	6	**484**	344	843
Interest receivable	6	**(49)**	(31)	(76)
Fair value adjustments to employee defined benefit plans		**(136)**	84	354
Interest expense	6	**433**	645	1,071
Unrealised foreign exchange (gain) / loss		**1,752**	(378)	1,874
		34,649	26,235	57,136
Changes in operating assets and liabilities				
Decrease / (increase) in trade receivables		**(8,316)**	(2,276)	(4,255)
Decrease / (increase) in MMTC and VGTR receivable		**(3,844)**	(4,267)	555
Decrease / (increase) in other receivables		**(2,340)**	(6,033)	(3,902)
(Decrease) / increase in accruals, trade and other payables		**11,236**	2,028	9,878
		(3,264)	(10,548)	2,276
Taxation paid		**(9,791)**	(1,961)	(4,459)
Net cash generated by / (used in) operating activities		**37,236**	20,129	76,420
Cash flows from investing activities				
Current year acquisition of subsidiaries net of cash acquired	17	**(39,539)**	(1,027)	(37,447)
Settlement of deferred liabilities on acquisitions	13	**(5,158)**	(237)	(2,489)
Acquisition of property, plant and equipment	9	**(9,378)**	(4,888)	(13,908)
Investment in intangible assets	9	**(157)**	-	(259)
Interest received		**49**	31	76
Net cash generated by / (used in) investing activities		**(54,183)**	(6,121)	(54,027)
Cash flows from financing activities				
Repayment of loans	14	**(37)**	(64,022)	(64,030)
Drawdown of loans		**-**	4,500	4,500
Payments of principal on lease liabilities	16	**(4,551)**	(3,930)	(8,170)
Interest paid on principal of lease liabilities	16	**(484)**	(344)	(843)
Shares issued for cash	11	**2,253**	110,667	111,698
Interest paid		**(337)**	(553)	(879)
Net cash generated by / (used in) financing activities		**(3,156)**	46,318	42,276
Increase / (decrease) in cash and cash equivalents		**(20,103)**	60,326	64,669
Exchange gain / (loss) on cash and cash equivalents		**1,318**	(940)	(3,426)
Cash and cash equivalents at beginning of the period		**103,070**	41,827	41,827
Cash and cash equivalents at end of the period		**84,285**	101,213	103,070

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 2021.

The interim results for the half year ended 30 June 2021 and the half year ended 30 June 2020 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 latest annual audited financial statements of Keywords Studios PLC for the year ended 31 December 2020, 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 2021.

The principal risk and uncertanties are disclosed in the Annual Report for the year ended 31 December 2020. The directors continue to monitor principal risks and uncertainties including the ongoing impact of COVID-19. There have been no changes in the principal risks and uncertainties during the period but the Directors recognise the increasing prevalence of cyber attacks and security threats to businesses generally, and advances in technology in our industry.

Going Concern Basis of Accounting
After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Condensed interim consolidated financial statements. In doing so, the Directors have considered the uncertain nature of the COVID-19 pandemic, but have noted:

- the strong cash flow performance of the Group;
- the continued demand for the Group's services;
- the ability to operate most of its services in a work from home model where studios are temporarily closed;
- 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 cash of €84.1m as at 30 June 2021, and committed undrawn facilities of €100m under the Revolving Credit Facility ("RCF").

The Directors have applied downside sensitivities to the Group's cash flow projections to evaluate the Group's ability to withstand a significant and prolonged downturn in trading (being a 25% reduction in Group revenue in 2022). Under this 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 12 months from the date of these interim 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 2021 were approved by the Board of Directors on 14 September 2021.

2 Changes in Significant Accounting Policies

New Standards, Interpretations and Amendments effective 1 January 2021
A number of new amendments and interpretations to accounting standards are effective from 1 January 2021 including:

- COVID-19-Related Rent Concessions – amendment to IFRS 16;
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

These amendments and interpretations have not resulted in the accounting applied by the Group changing and have not had a material effect on the Group's financial statements.

Other accounting pronouncements which have become effective from 1 January 2021 have not had 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 are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract - amendments to IAS 37;
- Property, Plant and Equipment: Proceeds before Intended Use - amendments to IAS 16;
- Annual Improvements to IFRS Standards 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; and
- References to Conceptual Framework - amendments to IFRS 3.

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

These financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2020, with the exception of the issues highlighted in note 4 below.

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 2020. 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.
- Business Combinations – combination of put and call options over Non-controlling interest in connection with the Tantalus acquisition:
    - The Group acquired an 85% interest in Tantalus in March 2021, with the sellers retaining a minority shareholding. The shareholder agreement (signed with the purchase agreement), includes put and call options ("the Forward"), that require the sellers to sell, or require the Group to buy the remaining 15% shareholding in 3 years using a pre-determined valuation methodology linked to post-acquisition performance. IFRS 3 does not provide specific guidance on how such contracts should be accounted for in a business combination. The Board determined, taking into consideration all the contracts' terms and conditions, that the impact of the Forward put the Group in a similar position as if the Group had acquired a 100% interest in the subsidiary on the acquisition date, with deferred contingent consideration payable at a future date. In doing so, the Board considered whether the risks and rewards of ownership reside with the Non-controlling interest or had effectively transferred to the Group, and concluded that the Non-controlling interest arising on the acquisition had been extinguished by a combination of the Forward, and other conditions in the agreements. Therefore, the Group has accounted for the acquisition as if a 100% interest was acquired on acquisition, accounting for the initial investment and the Forward as a single linked transaction in which 100% control is gained, with the Forward recognised at fair value, as a financial liability within Deferred and contingent consideration (note 13), and no Non-controlling interest recognised on the acquisition. Any subsequent re-measurement required due to changes in the fair value of the liability will be recognised in the statement of comprehensive income.

5 Revenue from Contracts with Customers and Segmental Analysis

Revenue from Contracts with Customers

Revenue by line of business	Unaudited Half Year 30 Jun 21 €'000	Unaudited Half Year 30 Jun 20 €'000	Audited Year 31 Dec 20 €'000
Art Creation*	**22,695**	18,875	38,903
Marketing*	**23,164**	7,405	18,421
Game Development	**63,267**	38,715	80,017
Audio*	**28,262**	20,907	47,232
Functional Testing	**43,345**	35,789	78,479
Localization*	**23,219**	21,287	45,357
Localization Testing	**12,584**	10,701	23,323
Player Support	**22,128**	19,806	41,806
	238,664	173,485	373,538

*The prior year comparatives has been re-classified to separately report Marketing services, previously reported within the Art Creation service line. In addition, there was a minor re-classification between Audio and Localization in the Half Year 2020.

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 producing location	Unaudited Half Year 30 Jun 21 €'000	Unaudited Half Year* 30 Jun 20 €'000	Audited Year* 31 Dec 20 €'000
Canada	**46,783**	41,598	88,713
United Kingdom	**44,744**	27,730	58,645
United States	**44,309**	23,209	50,504
Italy	**16,331**	10,932	25,210
Russia	**15,244**	14,691	29,839
Japan	**10,623**	9,645	20,944
China	**9,646**	8,850	18,429
India	**8,762**	5,017	11,369
Poland	**7,936**	3,683	10,269
Ireland	**6,260**	6,601	12,291
Philippines	**6,155**	6,041	12,021
Spain	**4,552**	3,240	7,642
France	**4,049**	3,572	7,771
Singapore	**3,689**	3,104	6,798
Mexico	**2,899**	1,210	3,549
Other	**6,682**	4,362	9,544
	238,664	173,485	373,538

*The prior year comparatives have been re-classified from billing entity to producing entity to align to the current year presentation, as the directors consider this measure to be more meaningful.

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 2021	**22,799**	**14,617**	**7,190**	**992**
At 30 June 2020	18,571	16,065	2,219	287
At 31 December 2020	13,538	12,991	547	-

Segmental Analysis

Geographical analysis of non-current assets from continuing businesses	**Unaudited Half Year 30 Jun 21 €'000**	Unaudited Half Year 30 Jun 20 €'000	Audited Year 31 Dec 20 €'000
United States	**165,615**	86,129	131,405
United Kingdom	**99,500**	55,187	57,611
Australia	**40,124**	-	-
Canada	**28,888**	29,424	27,094
Italy	**15,464**	11,900	13,480
Switzerland	**10,025**	10,381	10,116
Ireland	**8,524**	8,732	13,514
China	**8,294**	8,249	7,491
France	**7,867**	6,729	7,302
Japan	**6,201**	3,436	5,551
Germany	**5,186**	5,227	5,291
Spain	**4,954**	5,333	5,101
India	**3,180**	2,350	2,182
Poland	**3,151**	1,547	1,777
Mexico	**2,247**	1,783	1,901
Philippines	**1,820**	2,449	2,110
Other	**3,129**	3,110	3,110
	414,169	241,966	295,036

Geographical analysis of non-current assets from continuing businesses	**414,169**	241,966	295,036
Deferred tax assets	**18,494**	5,698	14,649
Non-current assets	**432,663**	247,664	309,685

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 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.

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 current period.

	Unaudited Year 30 Jun 21 €'m	Unaudited Year 30 Jun 20 €'m
Revenue	**439**	347
Gross profit	**170**	128

6 Financing Income and Cost

	Unaudited Half Year 30 Jun 21 €'000	Unaudited Half Year 30 Jun 20 €'000	Audited Year 31 Dec 20 €'000
Financing income			
Interest received	**49**	31	76
	49	31	76
Financing cost			
Bank charges	**(249)**	(302)	(552)
Interest expense	**(433)**	(645)	(1,071)
Unwinding of discounted liabilities - lease liabilities	**(484)**	(344)	(843)
Unwinding of discounted liabilities - deferred consideration	**(736)**	(119)	(132)
Foreign exchange loss	**(540)**	(264)	(6,103)
	(2,442)	(1,674)	(8,701)
Net financing income / (cost)	**(2,393)**	(1,643)	(8,625)

7 Earnings per Share

	Unaudited Half Year 30 Jun 21 € cent	Unaudited Half Year 30 Jun 20 € cent	Audited Year 31 Dec 20 € cent
Basic	**20.86**	9.49	30.32
Diluted	**19.73**	9.11	28.71

Earnings	**€'000**	€'000	€'000
Profit for the period from continuing operations	**15,642**	6,403	21,467

Weighted average number of equity shares	**Number**	Number	Number
Basic (i)	**74,980,344**	67,506,245	70,800,455
Diluting impact of Share options (ii)	**4,312,961**	2,770,558	3,959,878
Diluted (i)	**79,293,305**	70,276,803	74,760,333

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

	Number	Number	Number
	254,383	259,900	242,077

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

	Number	Number	Number
LTIPs	**862,000**	1,910,100	-
Share options	-	289,397	-
	862,000	2,199,497	-

8 Dividends

Dividends recommended	**In respect of**	**Expected € cent per share**	**Pence STG per share**	**Expected total dividend €'000**	**Expected payment date**
Interim	2021	0.82	0.70	616	Oct-21

At 30 June 2021, Retained earnings available for distribution (being Retained earnings plus Share option reserve) in the Company were €30.3m. In addition, the Company has amounts included in the Merger reserve of €123.9m that are considered distributable (note 11).

Interim accounts for the Company have been filed at Companies House to support the payment of an interim dividend in 2021.

9 Non-current Assets

Movement of the carrying value of Non-current assets	Unaudited At 30 Jun 21 €'000 Property, plant and equipment	Unaudited At 30 Jun 21 €'000 Right of use assets	Unaudited At 30 Jun 21 €'000 Intangible assets - goodwill	Unaudited At 30 Jun 21 €'000 Intangible assets - other	Unaudited At 30 Jun 21 €'000 Intangible assets - total
Carrying amount at the beginning of the period	**26,419**	**27,807**	**212,017**	**28,793**	**240,810**
Recognition on acquisition of subsidiaries (note 17)	277	1,179	89,391	9,651	99,042
Other additions	9,378	14,325	-	157	157
Depreciation charge	(5,347)	(4,789)	-	-	-
Amortisation charge	-	-	-	(6,553)	(6,553)
Exchange rate movement	716	931	8,853	964	9,817
Carrying amount at the end of the period	**31,443**	**39,453**	**310,261**	**33,012**	**343,273**

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 2021 an interim assessment 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.

10 Trade and Other Receivables

	Unaudited At 30 Jun 21 €'000	Unaudited At 30 Jun 20 €'000	Audited At 31 Dec 20 €'000
Trade receivables derived from contracts with customers	**64,752**	45,940	49,814
Provision for bad debts (i) (ii)	**(2,347)**	(999)	(1,982)
Financial asset held at amortised cost	**62,405**	44,941	47,832
Accrued income from contracts with customers	**12,152**	10,569	9,202
Prepayments	**5,128**	4,714	4,608
Rent deposits and other receivables	**4,134**	4,346	4,816
Multimedia tax credits / video games tax relief	**21,671**	20,838	16,668
Tax and social security	**3,903**	3,474	3,371
Other receivables	**46,988**	43,941	38,665

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

	Unaudited Half Year 30 Jun 21 €'000
Provision at the beginning of the period	**(1,982)**
Impairment of financial assets (trade receivables) charged to other administration expenses	(451)
Amounts written off against the provision in the period	108
Exchange rate movement	(22)
Provision at the end of the period	**(2,347)**
Credit loss experience	**0.5%**

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

	Unaudited At 30 Jun 21 €'000
Credit impaired	**(2,023)**
Expected credit losses	**(324)**
Provision at the end of the period	**(2,347)**

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 2021			**74,079,243**	**532,985**	**879**	**13,047**	**22,951**	**250,276**
Acquisition related issuance of shares:								
High Voltage Software	12-Jan-21	26.06	307,597	(307,597)	3	(8,017)	-	8,013
Heavy Iron	12-Jan-21	31.84	-	12,914	-	411	-	-
Tantalus	15-Apr-21	27.87	368,750	-	4	-	-	10,271
Climax Studios	17-May-21	33.53	232,517	-	3	-	-	7,794
ICHI	28-May-21	15.94	14,635	(14,635)	-	(233)	-	233
Coconut Lizard	25-Jun-21	20.23	19,739	(19,739)	1	(400)	-	400
Acquisition related issuance of shares			**943,238**	**(329,057)**	**11**	**(8,239)**	**-**	**26,711**
Issue of shares on exercise of share options		4.37	514,990	-	6	-	2,247	-
At 30 June 2021			**75,537,471**	**203,928**	**896**	**4,808**	**25,198**	**276,987**

* 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	
	Average exercise price in £ per share	Number of options	Average exercise price in £ per share	Number of options
At 01 January 2021	**12.66**	**2,345,238**	**0.01**	**3,692,817**
Granted	25.48	618,000	0.01	862,000
Lapsed	15.79	(14,478)	0.01	(150,400)
Exercised	9.75	(200,616)	0.01	(314,374)
At 30 June 2021	**15.74**	**2,748,144**	**0.01**	**4,090,043**
Exercisable at 30 June 2021	**8.17**	**846,810**	**0.01**	**838,907**
Weighted average share price at date of exercise	**25.59**		**26.09**	

13 Other Payables

	Unaudited At 30 Jun 21 €'000	Unaudited At 30 Jun 20 €'000	Audited At 31 Dec 20 €'000
Current liabilities			
Accrued expenses	**38,591**	23,382	31,086
Payroll taxes	**3,067**	2,886	2,563
Other payables (ii)	**20,346**	10,081	10,501
Deferred and contingent consideration (i)	**36,282**	6,354	18,808
	98,286	42,703	62,958
Non-current liabilities			
Other payables	**-**	11	-
Deferred and contingent consideration (i)	**21,659**	-	1,994
	21,659	11	1,994

(i) The movements in deferred and contingent consideration (Level 3 input in the fair value hierarchy), in the current period were as follows:

	Unaudited Half Year 30 Jun 21 €'000
Carrying amount at the beginning of the period	**20,802**
Consideration settled by cash	(5,158)
Unwinding of discount (note 6)	736
Additional liabilities from current year acquisitions (note 17)	36,010
Combination put / call options to acquire residual 15% of Tantalus (note 4, 17)	4,768
Exchange rate movement	783
Carrying amount at the end of the period	**57,941**

In general, in order for contingent consideration to become payable, pre-defined profit and / or revenue targets must be 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).

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 21 €'000**
Increase in expected performance - 10%	**2,956**
Decrease in expected performance - 10%	**(11,471)**

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 €Nil to a maximum of €70.2m. The contractual maturities (representing undiscounted contractual cash flows) of the Group's deferred and contingent consideration liabilities were as follows:

	Unaudited At 30 Jun 21 €'000
Not later than one year	**40,477**
Later than one year and not later than two years	**20,873**
Later than two years and not later than five years	**8,828**
Total undiscounted contractual cash flows	**70,178**

(ii) The Group’s related party transactions are with key management personnel and other related parties 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, while there were no transactions with other related parties in 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 21 €'000
Carrying amount at the beginning of the period	**195**
Repayments	(37)
Exchange rate movement	7
Carrying amount at the end of the period	**165**

These balances represent loans owed by Keywords Studios QC-Interactive Inc.

The Syndicated Bank revolving credit facility ("RCF") remains in place allowing the Group to access financing of up to €100m (with an option to increase this by up to €40m to a total of €140m), extending to October 2022 (with an option to extend this maturity date by up to a further 2 years). Throughout the period, the Group operated well within the interest cover and leverage ratio terms of the RCF agreement.

At the period end the net debt and the debt to capital ratio were as follows:

	Unaudited At 30 Jun 21 €'000
Loans and borrowings	**165**
Less: cash and cash equivalents	**(84,285)**
Net debt / (net cash) position	**(84,120)**
Total equity	**427,798**
Net debt / (net cash) to capital ratio (%)	**(20%)**

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 21 €'000
Carrying amount at the beginning of the period	**28,864**
Recognition on acquisition of subsidiaries (note 17)	1,179
Liabilities recognised on new leases in the period	14,324
Unwinding of discounted liabilities - lease liabilities	484
Payment of principal and interest on lease liabilities	(5,035)
Exchange rate movement	971
Carrying amount at the end of the period	**40,787**

The value of leases not yet commenced to which the lessee is committed, which are not included in the lease liability at 30 June 2021, were €Nil.

17 Business Combinations / Acquisitions Completed in the Current Period

During the period the Group completed three acquisitions, Heavy Iron, Tantalus and Climax Studios, purchasing 100% of the share capital of these businesses, except in the case of Tantalus where the Group acquired an 85% interest. A combination of put and call options are in place requiring the sellers to sell, or the Group to buy the remaining 15% shareholding in 3 years. The Group has recognised a contingent consideration liability at fair value, being the Group's estimate of the present value of the amount required to settle the liability, and has accounted for the acquisition as if a 100% interest was acquired on acquisition (see note 4).

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 below. Details of the purchase consideration and other information relevant to the evaluation of the financial effect of the acquisitions, are also presented.

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 services capabilities, broadening our service offering, and extending our geographical footprint, further building out our global platform.

	Unaudited At 30 Jun 21 €'000
Details of goodwill and the fair value of net assets acquired	
Book value:	
Property, plant and equipment	**277**
Right of use assets	**1,179**
Trade and other receivables - gross	**5,432**
Bad debt provision	**-**
Cash and cash equivalents	**8,729**
Trade and other payables	**(5,927)**
Lease liabilities	**(1,179)**
Book value of identifiable assets and liabilities acquired	**8,511**
Fair value adjustments:	
Identifiable intangible assets	**9,651**
Deferred tax assets	**2,629**
Deferred tax liabilities	**(2,654)**
Total fair value adjustments	**9,626**
Net assets acquired	**18,137**
Goodwill from current year acquisitions	**89,391**
Total purchase consideration	**107,528**
Details of purchase consideration and cash outflows from current acquisitions	
Cash	**48,267**
Deferred cash	**1,270**
Deferred consideration contingent on performance	**34,740**
Combination put / call options to acquire residual 15% of Tantalus	**4,768**
Shares to be issued	**18,483**
Total purchase consideration	**107,528**
Number of shares	
Shares issued on acquisition	**601,267**
Fixed number of shares to be issued	**12,914**
Cash paid in the period	**48,267**
Less: cash and cash equivalent balances transferred	**(8,728)**
Net cash outflow arising on acquisition	**39,539**
Related acquisition costs charged through to the statement of comprehensive income	**645**
Details of pro forma revenues and profitability of current acquisitions	
Pre-acquisition revenue	**5,067**
Post-acquisition revenue	**8,093**
Pro forma revenue	**13,160**
Pre-acquisition profit before tax	**2,119**
Post-acquisition profit before tax	**3,616**
Pro forma profit before tax	**5,735**

The goodwill that arose from business combinations completed in the period that is expected to be deductible for tax purposes was €9.4m.

18 Events after the Reporting Date

Acquisition of AMC Ro Studio SRL

On 12 August 2021 the Group announced the acquisition of AMC Ro Studio SRL ("AMC"), a video game art creation studio for a total consideration of €2.8m. Founded in 2009 and based in Bucharest, Romania, AMC is a long established, high quality specialist art studio servicing both US and European clients. Under the terms of the acquisition, Keywords will pay an initial cash consideration of €2.0m and the equivalent of €0.8m in new ordinary shares to be issued on the first anniversary of completion. The new ordinary shares to be issued are subject to one-year orderly market provisions.

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.

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 of Euros. 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.
- **COVID-19 government subsidies claimed** – In 2020 the Group applied for COVID-19 government subsidies in various jurisdictions, introduced in response to the global pandemic. These subsidies have been added back in order to present adjusted profit and cash flow measures consistently year-on-year.
- **Investment income** – The Group acquired a minor holding in Hutch Games Limited, when Keywords purchased Liquid Development studio in 2015. In 2020 Hutch Games Limited was acquired and the Group received €1.4m proceeds in December. As the gain has 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 program 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, investment 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). In the prior year the measure has also been adjusted for COVID-19 subsidies claimed given the one-time nature of the income.

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 2020 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 21 Revenue AER €m	**Half Year 30 Jun 21 Revenue CER €m**	Half Year 30 Jun 20 Revenue AER €m	**Half Year 30 Jun 21 Growth AER %**	**Half Year 30 Jun 21 Growth CER %**
Art creation*	**22.7**	**23.7**	18.9	**20.1%**	**25.4%**
Marketing*	**23.2**	**24.1**	7.4	**213.5%**	**225.7%**
Game development	**63.3**	**66.3**	38.7	**63.6%**	**71.3%**
Audio*	**28.3**	**29.2**	20.9	**35.4%**	**39.7%**
Functional testing	**43.3**	**44.5**	35.8	**20.9%**	**24.3%**
Localization*	**23.2**	**23.8**	21.3	**8.9%**	**11.7%**
Localization testing	**12.6**	**12.8**	10.7	**17.8%**	**19.6%**
Player support	**22.1**	**23.3**	19.8	**11.6%**	**17.7%**
	238.7	**247.7**	173.5	**37.6%**	**42.8%**

*The prior year comparatives has been re-classified to separately report Marketing services, previously reported within the Art Creation service line. The equivalent organic growth rates for the half year to 30 June 20 were 30.8% for Marketing and 13.0% for Art creation respectively. Please also note, there was a minor re-classification between Audio and Localization in the Half Year 2020.

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 21 Revenue AER €m	**Half Year 30 Jun 21 Pre-acquisition revenue AER €m**	**Half Year 30 Jun 21 Pro forma Revenue AER €m**	**Year 30 Jun 21 Pro forma Revenue AER €m**
Art creation	**22.7**	**-**	**22.7**	**42.7**
Marketing	**23.2**	**-**	**23.2**	**34.2**
Game development	**63.3**	**5.1**	**68.4**	**123.6**
Audio	**28.3**	**-**	**28.3**	**54.6**
Functional testing	**43.3**	**-**	**43.3**	**86.0**
Localization	**23.2**	**-**	**23.2**	**47.3**
Localization testing	**12.6**	**-**	**12.6**	**25.2**
Player support	**22.1**	**-**	**22.1**	**44.1**
	238.7	**5.1**	**243.8**	**457.7**

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 2020 foreign exchange rates to both years.

	Half Year 30 Jun 20 Revenue AER €m	Half Year 30 Jun 20 Pre-acquisition revenue AER €m	Half Year 30 Jun 20 Like for like revenue AER €m	**Half Year 30 Jun 21 Revenue growth CER €m**	**Half Year 30 Jun 21 Revenue CER €m**	**Half Year 30 Jun 21 Organic revenue growth CER %**
Art creation*	18.9	-	18.9	**4.8**	**23.7**	**25.4%**
Marketing*	7.4	8.6	16.0	**8.1**	**24.1**	**50.6%**
Game development	38.7	18.7	57.4	**8.9**	**66.3**	**15.5%**
Audio*	20.9	0.5	21.4	**7.8**	**29.2**	**36.4%**
Functional testing	35.8	-	35.8	**8.7**	**44.5**	**24.3%**
Localization*	21.3	0.2	21.5	**2.3**	**23.8**	**10.7%**
Localization testing	10.7	-	10.7	**2.1**	**12.8**	**19.6%**
Player support	19.8	-	19.8	**3.5**	**23.3**	**17.7%**
	173.5	28.0	201.5	**46.2**	**247.7**	**22.9%**

* The prior year comparatives has been re-classified to separately report Marketing services, previously reported within the Art Creation service line. In addition, there was a minor re-classification between Audio and Localization in the Half Year 2020.

Adjusted operating costs

This comprises Administrative expenses as reported in the Consolidated statement of comprehensive income, adding back share option expense, costs of acquisition and integration, amortisation and impairment of intangible assets, depreciation, non-controlling interest and deducting bank charges. In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Administrative expenses	Consolidated statement of comprehensive income	**(66,802)**	(50,183)	(102,090)
Share option expense	Consolidated statement of comprehensive income	**8,454**	6,750	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,464**	1,185	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	**6,553**	5,662	8,808
Depreciation - property, plant and equipment	Note 9	**5,347**	4,209	8,983
Depreciation - right of use assets	Note 9	**4,789**	3,935	8,402
Non-controlling interest	Consolidated statement of comprehensive income	**33**	50	85
Bank charges	Note 6	**(249)**	(302)	(552)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	**-**	(3,411)	(9,231)
Adjusted operating costs		**(40,411)**	(32,105)	(67,595)
Revenue from contracts with customers	Consolidated statement of comprehensive income	**238,664**	173,485	373,538
Adjusted operating costs as a % of revenue		**16.9%**	18.5%	18.1%

Adjusted operating profit

The Adjusted operating profit consists of the Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration and amortisation and impairment of intangible assets. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Operating profit	Consolidated statement of comprehensive income	**24,321**	12,737	41,119
Share option expense	Consolidated statement of comprehensive income	**8,454**	6,750	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,464**	1,185	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	**6,553**	5,662	8,808
Investment income	Consolidated statement of comprehensive income	**-**	-	(1,437)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	**-**	(3,411)	(9,231)
Adjusted operating profit		**40,792**	22,923	57,259
Revenue from contracts with customers	Consolidated statement of comprehensive income	**238,664**	173,485	373,538
Adjusted operating profit as a % of revenue		**17.1%**	13.2%	15.3%

EBITDA

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

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Operating profit	Consolidated statement of comprehensive income	**24,321**	12,737	41,119
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	**6,553**	5,662	8,808
Depreciation - property plant and equipment	Note 9	**5,347**	4,209	8,983
Depreciation - right of use assets	Note 9	**4,789**	3,935	8,402
Bank charges	Note 6	**(249)**	(302)	(552)
EBITDA		**40,761**	26,241	66,760

Adjusted EBITDA

Adjusted EBITDA comprises EBITDA, adjusted for share option expense, costs of acquisition and integration and non-controlling interest. In order to present the measure consistently year-on-year, the impact of investment income and COVID-19 government subsidies claimed are also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
EBITDA	As above	**40,761**	26,241	66,760
Share option expense	Consolidated statement of comprehensive income	**8,454**	6,750	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,464**	1,185	2,650
Non-controlling interest	Consolidated statement of comprehensive income	**33**	50	85
Investment income	Consolidated statement of comprehensive income	**-**	-	(1,437)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	**-**	(3,411)	(9,231)
Adjusted EBITDA		**50,712**	30,815	74,177
Revenue from contracts with customers	Consolidated statement of comprehensive income	**238,664**	173,485	373,538
Adjusted EBITDA as a % of revenue		**21.2%**	17.8%	19.9%

Adjusted profit before tax

Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share option expense, costs of acquisition and integration, amortisation and impairment 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 investment income and COVID-19 government subsidies claimed are also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Profit before taxation	Consolidated statement of comprehensive income	**21,928**	11,094	32,494
Share option expense	Consolidated statement of comprehensive income	**8,454**	6,750	15,350
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,464**	1,185	2,650
Amortisation and impairment of intangible assets	Consolidated statement of comprehensive income	**6,553**	5,662	8,808
Non-controlling interest	Consolidated statement of comprehensive income	**33**	50	85
Foreign exchange (gain) / loss	Note 6	**540**	264	6,103
Unwinding of discounted liabilities - deferred consideration	Note 6	**736**	119	132
Investment income	Consolidated statement of comprehensive income	**-**	-	(1,437)
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	**-**	(3,411)	(9,231)
Adjusted profit before tax		**39,708**	21,713	54,954
Revenue from contracts with customers	Consolidated statement of comprehensive income	**238,664**	173,485	373,538
Adjusted profit before tax as a % of revenue		**16.6%**	12.5%	14.7%

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 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Adjusted profit before tax	As above	**39,708**	21,713	54,954
Taxation	Consolidated statement of comprehensive income	**6,286**	4,691	11,027
Effective tax rate before tax on adjusting items	Taxation / Adjusted profit before tax	**15.8%**	21.6%	20.1%
Tax arising on bridging items to Adjusted profit before tax^		**2,252**	(21)	785
Adjusted taxation		**8,538**	4,670	11,812
Adjusted effective tax rate	Adjusted taxation / Adjusted profit before tax	**21.5%**	21.5%	21.5%

^Being mainly the tax impact of amortisation of intangible assets €1.6m and share option expense €1.3m, with the prior Half Year being mainly the tax impact of amortisation of intangible assets €0.90m and COVID-19 government subsidies claimed €0.92m.

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 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Adjusted profit before tax	As above	**39,708**	21,713	54,954
Taxation	Consolidated statement of comprehensive income	**(6,286)**	(4,691)	(11,027)
Tax arising on bridging items to Adjusted profit before tax^		**(2,252)**	21	(785)
Adjusted profit after tax		**31,170**	17,043	43,142
Denominator (weighted average number of equity shares)	Note 7	**74,980,344**	67,506,245	70,800,455
		€ c	€ c	€ c
Adjusted earnings per share		**41.57**	25.25	60.93
Adjusted earnings per share % growth		**64.6%**	17.3%	24.9%

^Being mainly the tax impact of amortisation of intangible assets €1.6m and share option expense €1.3m, with the prior Half Year being mainly the tax impact of amortisation of intangible assets €0.90m and COVID-19 government subsidies claimed €0.92m.

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 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Adjusted profit before tax	As above	**39,708**	21,713	54,954
Interest received	Note 6	**(49)**	(31)	(76)
Bank charges	Note 6	**249**	302	552
Interest expense	Note 6	**433**	645	1,071
Unwinding of discounted liabilities - lease liabilities	Note 6	**484**	344	843
Pre-acquisition profits of current year acquisitions	Note 17	**2,119**	181	9,399
Adjusted profit before tax including pre acquisition profit excluding interest for the period		**42,944**	23,154	66,743
Rolling 12 month adjustment		**43,589**	23,827	-
Adjusted profit before tax including pre-acquisition profit and excluding net interest		**86,533**	46,981	66,743
Total equity	Consolidated statement of financial position	**427,798**	339,494	371,235
Employee defined benefit plans	Consolidated statement of financial position	**2,989**	2,049	2,693
Cumulative amortisation of intangibles assets (customer relationships)		**32,411**	23,157	25,178
Deferred and contingent consideration	Note 13	**57,941**	6,354	20,802
Loans and borrowings	Note 14	**165**	218	195
Cash and cash equivalents	Consolidated statement of financial position	**(84,285)**	(101,213)	(103,070)
Capital employed		**437,019**	270,059	317,033
Return on capital employed	Adjusted profit before tax including pre acquisition profit and excluding net interest expense (on a rolling 12 month basis) / capital employed	**19.8%**	17.4%	21.1%

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 investment income is also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Net cash generated by / (used in) operating activities	Consolidated statement of cash flows	**37,236**	20,129	76,420
Acquisition and integration cash outlay:				
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,464**	1,185	2,650
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	**-**	34	66
Fair value adjustments to right of use assets	Consolidated statement of cash flows	**-**	-	(434)
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**(9,378)**	(4,888)	(13,908)
Investment in intangible assets	Consolidated statement of cash flows	**(157)**	-	(259)
Investment income	Consolidated statement of comprehensive income	**-**	-	(1,437)
Interest received	Consolidated statement of cash flows	**49**	31	76
Interest paid	Consolidated statement of cash flows	**(821)**	(897)	(1,722)
Payments of principal on lease liabilities	Consolidated statement of cash flows	**(4,551)**	(3,930)	(8,170)
Free cash flow after tax		**23,842**	11,664	53,282
Taxation paid	Consolidated statement of cash flows	**9,791**	1,961	4,459
Free cash flow before tax		**33,633**	13,625	57,741

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). In order to present the measure consistently year-on-year, the impact of COVID-19 government subsidies claimed is also excluded.

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Free cash flow before tax	As above	**33,633**	13,625	57,741
Capital expenditure in excess of depreciation:				
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**9,378**	4,888	13,908
Depreciation - property, plant and equipment	Consolidated statement of cash flows	**(5,347)**	(4,209)	(8,983)
Capital expenditure in excess of depreciation		**4,031**	679	4,925
COVID-19 government subsidies claimed	Consolidated statement of comprehensive income	**-**	(3,411)	(9,231)
Adjusted free cash flow		**37,664**	10,893	53,435

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 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Adjusted free cash flow	As above	**37,664**	10,893	53,435
Adjusted profit before tax	As above	**39,708**	21,713	54,954
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	**94.9%**	50.2%	97.2%

Net debt

The Group manages capital by monitoring debt to capital and net debt ratios. This debt to capital ratio is calculated as net debt to total equity. 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. At the period end the net debt and the debt to capital ratio were as follows:

Calculation		**Half Year 30 Jun 21 €'000**	Half Year 30 Jun 20 €'000	Year 31 Dec 20 €'000
Loans and borrowings	Note 14	**165**	218	195
Cash and cash equivalents	Consolidated statement of financial position	**(84,285)**	(101,213)	(103,070)
Net debt / (net cash) position		**(84,120)**	(100,995)	(102,875)
Total equity	Consolidated statement of financial position	**427,798**	339,494	371,235
Net debt / (net cash) to capital ratio (%)		**(19.7%)**	(29.7%)	(27.7%)