21 September 2022

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

Interim results for the six months to 30 June 2022

Strong Organic Revenue growth and healthy demand

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 2022.

Financial Overview:

Results for the six months ended 30 June		H1 2022	H1 2021	% change
Group revenue		**€ 321.1m**	**€ 238.7m**	**+ 34.5%**
Organic Revenue growth	1	**+ 21.7%**	**+ 22.9%**	
Adjusted EBITDA	2	**€ 70.1m**	**€ 50.7m**	**+ 38.3%**
Adjusted EBITDA margin		21.8%	21.2%	
EBITDA	2	€ 61.0m	€ 40.8m	+ 49.5%
Adjusted profit before tax	3	**€ 54.8m**	**€ 39.7m**	**+ 38.0%**
Adjusted profit before tax margin		17.1%	16.6%	
Profit before tax		€ 39.1m	€ 21.9m	+ 78.2%
Adjusted earnings per share	4	**55.89c**	**41.57c**	**+ 34.4%**
Earnings per share		36.80c	20.86c	+ 76.4%
Interim dividend per share		**0.77p**	**0.70p**	
Adjusted cash conversion rate	5	**57.9%**	**94.9%**	
Net cash / (net debt)		**€ 121.3m**	**€ 84.1m**	

Highlights:

Strong H1 revenue growth reflecting healthy demand across a diversified service offering

- Group revenue up 34.5% to €321.1m (H1 2021: €238.7m), driven by sustained demand for high quality content and a continuing trend towards external service provision
- Organic Revenue growth of 21.7% in the first half, with good contributions across all service lines

Profitability and cash generation underpinning strong balance sheet and liquidity

- Adjusted profit before tax rose 38.0% to €54.8m, with margin increasing to 17.1% (H1 2021: 16.6%)
- Adjusted Free Cash Flow of €31.7m (H1 2021: €37.7m) with an Adjusted Cash Conversion rate of 57.9%, lower than H1 2021 (94.9%), reflecting the return to the regular H2 collection cycle of Multi-Media Tax Credits (MMTCs) and working capital phasing. FY Adjusted cash conversion rate expectations unchanged at ~80%
- Net cash of €121.3m (H1 2021: €84.1m), after €13.6m net cash spend on acquisitions, and together with €150m undrawn Revolving Credit Facility, well positioned to continue pursuing organic and acquisition growth strategies
- Interim dividend of 0.77p per share, an increase of 10% on the 2021 interim dividend (H1 2021: 0.70p)

Set out and delivering against strategy to drive sustainable growth, facilitated by simplified structure to enhance culture and collaboration

- Intending to drive strategic partnerships, whilst adopting new technologies that enable us to do more for our clients as well as exploring adjacent markets
- Simplified structure to drive culture, collaboration and support talent acquisition
- Divisional results now reported across three segments, each of which performed well:
  - Create (Game Development and Art Services)
  - Globalize (Audio Services, Localization, and Functional and Localization Testing)
  - Engage (Player Support and Marketing)

Delivering on our acquisition strategy

- Three acquisitions for a total maximum consideration of €67.2 million
- Acquisition of Forgotten Empires completed in August, enhancing the reach and scale of the Group's Create service line
- Acquisition of Mighty Games completed in August, bringing an innovative and proprietary AI-based Testing technology platform
- Acquisition of Smoking Gun Interactive announced today, whose game development expertise and live operations capabilities will enhance our client offering, and providing access to a high-quality team in Vancouver
- Actively engaging with selective targets from an extensive pipeline of opportunities

Tangible progress against Resposible Business goals

- Sustainable Studios initiative progressed following completion of an internal review of energy and recycling practices
- Strengthened partnership with Women in Games which seeks to accelerate measurable improvement in opportunities for existing and future women in Keywords and the video games industry
- Initiatives making Keywords a great place to work increasingly recognised with studios in Mexico, Philippines and the UK all receiving industry awards

Current trading and outlook

- Encouraging start to the second half, with continued healthy demand across all service lines
- Mindful of a more uncertain macroeconomic environment and some potential volatility in the scheduling of certain projects
- Confident of delivering a performance in line with recently upgraded market expectations with H2 organic growth rates moderating and Adjusted PBT margins moving to historic levels of c.15% as we invest in the business, as previously guided
- Well positioned to increase market share and well-funded to continue to deliver on our value accretive acquisition strategy

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

"The Group has delivered a strong performance in the first half, with a heightened focus on high-quality content and the continued trend towards external service provision in the industry, driving healthy demand across our service lines. Initial trading in the second half has been encouraging and we are confident of delivering a performance in line with the recently upgraded market expectations for the full year.

It has been a busy period, as we set out and started to deliver against our strategy to take Keywords to the next level by getting closer to our clients, adopting new technologies, driving culture and talent acquisition and exploring adjacent markets. As part of this we have simplified our structure to facilitate deeper collaboration across the business and enhance our support for our clients whilst continuing to deliver on our M&A strategy, welcoming Forgotten Empires, Mighty Games and Smoking Gun Interactive to Keywords.

Going forward, Keywords is increasingly well-positioned to capture a greater share of our large addressable market. We are the clear market leader with unrivalled global scale and a unique service platform across the entire content development life cycle and will continue to cement and build upon our position as the partner of choice for the global video games industry, and beyond."

A presentation of the half year results will be made to analysts at 9.45am this morning and the live webcast can be accessed via this link:

https://stream.brrmedia.co.uk/roadcast/6308c58fda906b287e9a045c

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 26 countries strategically located in Asia, Australia, the Americas and Europe, it provides integrated art creation, game development, testing, localization, audio, marketing services 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, when translating studio results into the Euro reporting currency.*
2 *EBITDA comprises Operating profit as reported in the Consolidated statement of comprehensive income, adjusted for amortisation and impairment of intangible assets, depreciation, and deducting bank charges. Adjusted EBITDA comprises EBITDA, adjusted for share-based paymentexpense, costs of acquisition and integration and non-controlling interest.*
3 *Adjusted profit before tax comprises Profit before taxation as reported in the Consolidated statement of comprehensive income, adjusted for share-based payment 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, other income is 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).*
7 *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 for a full financial year.*
8 *As at 20 September 2022, company compiled analysts' forecasts gave a consensus for FY 2022 of €642m of revenue and €102m of adjusted profit before tax.*

CEO Review

Keywords delivered strong organic growth in the first half, reflecting healthy demand for our services. We also expanded our solutions, reach and scale through selective acquisitions.

Group revenues increased 34.5% to €321.1m (H1 2021: €238.7m), or 21.7% on an Organic[1] basis, building on the strong momentum achieved in 2021 (H1 2021: 22.9%), as we continued to benefit from the renewed focus on high quality content post pandemic, and the structural trend towards external service provision. The strong organic growth was complemented by contributions from the six acquisitions completed during 2021.

As announced at our Capital Markets Day (CMD) in June, we have simplified our structure to strengthen collaboration across the business while retaining our inherent culture of entrepreneurialism. As a result, we now report divisional results in three segments; Create (combining the former Art Services and Game Development service lines); Globalize (the former Audio Services, Localization, and Functional and Localization Testing service lines); and Engage (the former Player Support and Marketing service lines).

The Create and Globalize services lines both delivered a strong performance as the focus on developing new content which gained momentum 2021, continued into 2022 and started to benefit our post production services (Globalize) to a greater extent. Engage saw more modest growth, with good growth from Player Support partially offset by Marketing, in part due to its exceptionally strong performance in the first half of last year (H1 2021 organic growth for Marketing was 50.6%) and the impact of certain project delays moving work into H2 and early next year.

I am extremely proud of all our talented Keywordians who have continued to work with such passion and commitment, delivering the consistently high-quality service we are known for. The Group’s strong start to the year, combined with our unrivalled scale, reach and breadth of solutions, and our strong financial position, leave Keywords well placed to continue to increase our share of our large addressable market, including through selective acquisitions, as we cement our position as the partner of choice for the global video games industry and beyond.

Delivering on our strategy to capitalise on our market opportunity

The video games market is large, dynamic and growing. In 2021, the overall video games market was estimated to be c.$240 billion and is expected to grow at a CAGR of 5% between 2021-2024. Of this, $35bn is estimated to have been spent on video games content in 2021 and this is predicted to grow to $48bn by 2026, of which the proportion delivered by external service providers, such as Keywords, is expected to grow from $11bn in 2021 to $18bn in 2026, representing a 10% CAGR over this period (Source: IDG Consulting 2021).

The scale, strength and breadth of our platform positions us to capitalise on this increasing demand for our content development and delivery services, driven by:

- ongoing strong demand for AAA console/PC content, with the recently launched next-generation consoles scaling up content, which is expected to result in an enlarged market;
- further development of new and existing video games streaming platforms driving demand for both content generation and ongoing in-game support, and a constantly evolving platform;
- mobile game growth, as global penetration of smartphones increases;
- the return to content creation in 2021, which primarily benefitted earlier stage services lines, continuing into 2022 and flowing through to later stage, postproduction services (Globalize) to a greater extent;
- increasing complexity in game development, leading to significantly higher costs and budgets, driving demand for external providers with more flexible access to talent and technology-enabled solutions; and
- growth in Games as a Service (GaaS) and Live Operations (LiveOps) which drives continuous content expansion to deepen the gaming experience, extending the lifespan of games and the levels of player engagement.

Despite the size of the external service provision market, it remains highly fragmented and characterised by predominantly local, single-service providers. Keywords has just a ~5% market share yet is three times the size of the next largest provider, providing considerable scope for further growth. Our scale and breadth of offering means we can offer solutions that our competitors can't, enabling us to deepen long-standing relationships with the leading publishers in the industry which in turn cements our position as the partner of choice.

In order to capitalise on this opportunity, we continue to invest in the business, both organically and through targeted acquisitions, to increasingly position the Group as a strategic partner to our clients. As such, we have continued to invest in new studios, refurbishing some sites to ensure our studios remain attractive places for our people to come together. During the period, we invested in a new studio in China, expanded in India, and entered a new lease in Ottawa, adding capacity to operations in these locations. We also renovated several sites, including in Montreal and India Gurgaon, and transitioned our Katowice operation to a new, state-of-the-art facility.

We have continued to deliver on our acquisition strategy this year, with the acquisitions of Forgotten Empires, Mighty Games, and Smoking Gun Interactive. The Forgotten Empires and Smoking Gun Interactive acquisitions extend the reach and scale of the Group's Create service line with two high-quality game development studios. Mighty Games brings an innovative and proprietary AI-based Testing technology platform, which will allow us to do more for our clients and remain at the forefront of our industry, in line with our strategy to develop more technology-enabled solutions. We continue to actively review a healthy pipeline of acquisition opportunities.

Evolving our strategy

When I joined Keywords in December 2021, it was clear that it is a business with incredibly strong foundations and a talented, diverse, more than 11,000-strong team delivering highly sought-after expertise. This gives the Group unrivalled scale, as the only full-service platform spanning the entire content development lifecycle and with the international scale to bring truly global solutions to our clients. We have strong, long-standing relationships with our clients, which include almost all the world's leading developers and publishers, and for whom we work across all platforms, without carrying the risk associated with individual games.

Having gathered the views of stakeholders and clients across the business, and working closely with the wider senior leadership team, at our CMD in June we set out how we intend to build on these strong foundations to further unlock Keywords' considerable potential and deliver an ever-more compelling proposition globally for our partners in the video games market, and adjacent content industries.

Our key areas of focus to take Keywords forward and to drive sustainable growth are:

- **Strategic partnerships**

  We intend to deepen strategic customer partnerships to create and capture more value together and drive more demand for Keywords' services.

  As the leader in the industry, we already work with 23 of the top 25 games publishers and all of the top 10 mobile publishers but there is a clear theme from discussions with clients that they want to elevate our relationships, make them more strategic and enhance our ability to cross-sell solutions that benefit our customers' needs as the industry evolves.

  To facilitate this, we are investing in our Strategic Partnering capability by introducing new client-led roles which will enable us to develop a deeper understanding of our clients' longer-term pipelines and objectives. This will deliver a more coordinated end-to-end approach, including at the title level, facilitating greater cross service line and studio collaboration to capture more value throughout the Content Development Lifecycle. We are also adding more structure into the relationships with our clients, including Annual Business Reviews that we hold with our top clients to facilitate closer collaboration.

- **Technology**

  We plan to introduce new technologies that will enable Keywords to work smarter, do more for our clients and stay at the forefront of the industry. This includes strengthening our internal capability to support ongoing growth and ability to deliver larger, more complex work. While we have robust systems already in place, we are aiming to make our infrastructure more seamless through better integration of our systems across the business.

  We are also seeking to incorporate automation which will enable us to deliver much more for clients. For example, earlier this year we built an end-to-end automated solution for a key client to enhance their localisation using our Kantan AI technology to deliver translations across a range of titles in over 30 languages. The solution operates continuously, with an expert from our team overseeing it at certain touch points. This has enhanced our capabilities, allowing us to deliver work we would not previously have been able to and to provide a solution truly embedded in the client's workflows.

  We continue to innovate to ensure Keywords is well positioned to scale, remains at the forefront of the industry, and has the best technology in each of our service lines. When appropriate, we will acquire innovative technology to develop in order to benefit our clients. For example, in August, our acquisition of Mighty Games brought a proprietary AI-based Testing technology platform to Keywords, complementing our existing testing capabilities.

- **One Keywords**

  We plan to galvanise the Group's "One Keywords" culture of entrepreneurialism and collaboration, through our new simplified structure of three new service lines, Create, Globalize and Engage which facilitate more collaboration and scalability.

  We recognise that one of the key strengths of our business is its entrepreneurial DNA. To retain this, we are amplifying the voice of the studios to ensure we have a global platform that combines invaluable local knowledge with the benefits of our strong spine (of shared services) to support the growth of our studios.

  Our executive team has been reorganised as part of the simplified structure, with new talent joining the organisation to support our development. We also have a strong leadership team in place that was deeply involved in the evolution of the strategy, and we have leveraged this in our studio hub model which is designed to both improve the support for the studios and enhance collaboration without adding layers of management.

- **Talent and Capabilities**

  We are establishing Keywords as the destination for talent and career development in the industry.

  We've seen a significant improvement in our employee net promoter score in recent years demonstrating high levels of engagement and satisfaction across the business and we continue to focus on continuously improving our employee value proposition. All people matters now sit under our new Culture leadership team, including talent acquisition and development, culture, engagement and responsible business initiatives.

  We are working on aligning and better communicating our incentives and are investing in strategically acquiring and developing talent to enable our studios to grow faster, particularly within Game Development, where demand and competition for talent is more pronounced across the industry. We have expanded our initiatives to develop new talent through our Academies, which target graduates, and our 'Bootcamps' which look to provide those with some industry experience in games with the skills to become 'AAA' game developers.

  We are also seeking to replicate the success of our Art Academy, which has been highly successful in developing talent for our studios in India, by creating training courses across other services, particularly game development, to develop a further pool of talent to support our game development studios around the world. As part of this we have signed a Memorandum of Understanding with the National Skill Development Corporation, one of the divisions of the Ministry of Skill Development and Entrepreneurship, Government of India. This will help jointly fund, promote, and support the expansion of the Educational Outreach programme called Keywords inGame Academy, as part of our Destination India initiative.

- **Adjacent Markets**

  We will leverage the Group's capabilities to target closely adjacent markets that are increasingly utilising video games expertise. Having considered a number of adjacent markets, we have decided to focus on those that naturally fit with our current offering, or where we can transfer our gaming experience to other close verticals, many of which we are already working in.

  We are developing a LiveOps offering, an interesting growth opportunity that builds on our existing offering, as an increasing proportion of games are released as Games as a Service (GaaS), where content is constantly iterated and developed. While we already work on a large number of these games, we see a clear opportunity to work more strategically with our clients on their GaaS models and we are excited to seek new ways to support them.

  In Media and Entertainment, the TV / film market is predicted to be almost $150bn by 2025 (Source: IDG Consulting 2021) and we are seeing convergence of both the customer base and the technology, with game engines increasingly being used to create content. In addition, the TV/film localisation process is much the same as in games and we are already working in dubbing and subtitling (€16m revenue in 2021), serving streaming platforms such as Netflix and Amazon which we will look to expand further.

  Lastly, we are well positioned for the Web 3 / Metaverse and there is an opportunity to leverage our existing service propositions (rather than move into new areas such as infrastructure) to meet Metaverse requirements such as large-scale art, live Q&A, and 'player/user support'. We also see a role for us as a consultant to large non-gaming brands and retailers looking to navigate the Metaverse and render their proposition digitally.

- **Acquisitions**

  We will continue to build our platform through M&A, particularly in Game Development, Marketing, technology and selected adjacencies.

M&A remains a core part of our strategy and we will continue to build on our track record of execution, with a disciplined and consistent process. In a highly fragmented market, M&A enables us to build our platform and strengthen our leadership position. By deploying capital at attractive valuations we can add key capabilities, talent, client relationships and new technologies which will all help to accelerate our growth.

We currently have a strong pipeline of opportunities, with a current focus on Create (Game Development particularly) and Engage (Marketing particularly) capabilities, Technology and selected adjacencies, albeit we will selectively consider acquisitions which build scale and capabilities in other services lines.

The whole management team is excited about the significant opportunities ahead to build an ever more compelling proposition for the video games market, and beyond.

Responsible Business

We remain committed to conducting our business responsibly and operating to the highest standards of honesty, integrity, and ethical conduct. During the first half, we continued to focus on our priority areas of People (including diversity, equality, inclusion and belonging), Client, Communities, the Planet and Corporate Governance, and we have continued to make good progress during the period under the guidance of the ESG Committee of the Board.

During the period, our rating of 'A' (on a scale of AAA-CCC) for our 2021 MSCI ESG Ratings was confirmed, an improvement from BBB in 2020. This rating, which analyses our resilience to long-term, industry material environmental, social and governance risks, was pleasing, but we recognise that there is more we can do if we are to become a leader within the industry.

Following the quantification of our greenhouse gas emissions for the first time in 2020, in 2021 we developed the Group's first Environmental Policy covering our energy and recycling practices. During the first half, we completed our first internal review of practices across our studios, the findings of which will be used to inform our approach to reducing our carbon intensity. This will help develop our Sustainable Studios programme further and support our studios in their efforts to minimise energy usage and to reduce, recycle and reuse wherever possible.

During the review, it became clear that the greatest area of opportunity will be a move to renewable energy supplies wherever possible, something we are exploring on a studio-by-studio basis. Going forward, we will also ensure that all new office and studio space meets modern environmental building requirements. We recognise that our Sustainable Studios initiatives will take time to fully implement. We therefore continue to offset our carbon impact with credits towards the Ntakata Mountains REDD+ project, which protects forests. Revenue from the sale of certified carbon credits is paid directly to forest communities in Tanzania.

In 2021 the Group was composed of 25% women and 74% men, with a collective 1% of colleagues identifying as non-binary or declining to disclose their gender. Gender diversity and addressing under-representation remain a focus for the Board both across our business and the wider industry. The percentage of women directors on the Board remains at 29% and we continue to apply inclusive appointment processes in line with our Board Diversity Policy.

As an ambassador for Women in Games, we have strengthened this partnership in the first half, working on future events and collaborations that proactively seek to accelerate the measurable improvement of opportunities for existing and future women in games, both at Keywords and across our industry. We were very proud to see Keywordians speaking at Women in Games events around the world during the period, and look forward to planned initiatives that will continue to leverage our global platform and client relationships to support this partnership in the second half and beyond.

In recognition of our commitment to improving representation and development of women at Keywords, we have held several events, including our second internal #Breakthebias Women's Summit in Asia. Working with Women in Games, our goal is 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.

We continue to work hard to make Keywords a great place to work, with our initiatives increasingly recognised. As an example of this, we are delighted that both our D3T Studio in Brighton and Indigo Pearl in London were included in GamesIndustry.biz's 2022 Best Places to Work Awards. Keywords Studios in Mexico has been awarded the Socially Responsible Company (SRC) badge and Keywords Studios Manila has recently been recertified as one of the Great Place to Work companies in the Philippines with 91% of employees saying it is a great place to work.

Supporting our people affected by the tragic events unfolding in the Ukraine remains a top priority. Our employee hardship fund provides support to the small number of colleagues directly impacted by this crisis and we are doing all that we can to provide broader support to those affected by this tragic situation.

Outlook

The Group has made an encouraging start to the second half and is experiencing healthy demand across our three service lines (Create, Globalize and Engage). We are benefitting from the continuing growth in the broader video game market and the increasing trend for external service provision within the industry. As such, whilst we acknowledge ongoing uncertainties in the macro-economic environment, the Board remains confident of delivering a performance in line with recently raised market expectations for the full year.

Our position as the only full-service platform spanning the entire content development lifecycle with the international scale to bring truly global solutions to our clients means that we are very well positioned to capitalise on our large and growing market opportunity. We are confident that the recently announced strategy will build on our strong foundations and unlock Keywords' considerable potential and deliver an ever-more compelling proposition globally for our partners in the video games market, and adjacent content industries.

Bertrand Bodson
Chief Executive Officer

Service Line Review

As announced at our CMD in June, we have simplified our structure and we now report segmental results in three service lines; Create (the former Art Services and Game Development service lines); Globalize (the former Audio Services, Localization, and Functional and Localization Testing service lines); and Engage (the former Player Support and Marketing service lines). We now report Revenue and Adjusted EBITDA for each of the three service lines, with H1 2021 and FY 2021 re-classified to present information aligned to the new organisational and reporting structures and disclosed in Note 5 to the Financial Statements.

All our service lines saw good growth in H1 2022, supported by a strong video games market refocused on new content creation, and the continued trend towards external service provision. The following table provides a summary of our revenues by service line, with growth rates on a reported and Organic Revenue growth basis as well as the Adjusted EBITDA margins for each service line.

	H1 2022 Revenue €m	% of H1 2022 Group revenue	H1 2021 Revenue €m	Change year on year %	H1 2022 Organic Revenue growth %	12 months to 30 June 2022 Pro Forma Revenue €m	H1 2022 Adjusted EBITDA margin %	H1 2021 Adjusted EBITDA margin %
Create	**124.3**	**38.7%**	86.0	44.5%	**23.3%**	**226.5**	**24.9%**	26.7%
Globalize	**141.5**	**44.1%**	107.4	31.8%	**25.7%**	**266.0**	**22.0%**	19.6%
Engage	**55.3**	**17.2%**	45.3	22.1%	**9.8%**	**102.1**	**14.6%**	14.6%
Total	**321.1**	**100.0%**	238.7	34.5%	**21.7%**	**594.6**	**21.8%**	21.2%

Create (Art Services and Game Development): 38.7% of Group revenues in H1

The new Create service line combines Art Services and Game Development, encouraging deeper collaboration between the two to deliver a range of services to clients and partners globally. It represents over 3,000 people in 24 studios across 46 locations.

H1 2022 Performance

Create performed well in the first half with total revenues up by 44.5% to €124.3m (H1 2021: €86.0m). Organic Revenue, which excludes the impact of acquisitions, grew by 23.3%, as strong underlying client demand across all art and game development studios continued.

A number of Create studios demonstrated strong growth, with some delivering record performances, particularly in Quebec and India. Since establishing Create, both our Art and Game Development studios have benefitted from increased collaboration, which has yielded new opportunities with new and existing clients.

Across the Create service line, we have a strong focus on recruitment and retention and have established a specific talent acquisition team for the service line, complementing local talent acquisition efforts. As competition for talent continues our extensive geographic footprint allows us to hire from a broad number of locations for talent around the world.

Despite being the most directly affected by the situation in the Ukraine, our Game Development studios have performed well during the period. During the period we started the process to relocate people and work from our single Russia-based business, Sperasoft, to alternative locations, including Poland, together with Serbia, Armenia and Malta, where we have established new operations. While we have moved a significant number of people and work, this has had a more limited impact on first half performance, with the second half of the current financial year expected to be the key transition phase for this process. We are focussed on making the transition as smooth as possible for both our people and international clients. H1 revenues derived from our Russia-based business represented 5.5% of Group revenues (€17.8m).

Adjusted EBITDA in Create grew 34.3% to €30.9m in H1 2022 (H1 2021: €23.0m), with the Adjusted EBITDA margin of 24.9% in H1 2022 slightly lower than the previous period (H1 2021: 26.7%) due to the stronger growth in Art changing the mix, and Game Development investing in capacity ahead of demand. The transition of people and work from Russia is expected to hold margins back in H2, in line with our guidance for the Group.

We have welcomed three new Game Development studios this year, Forgotten Empires, the small game development team at Mighty Games and the acquisition of Smoking Gun Interactive that has been announced today. Forgotten Empires, headquartered in Ohio, has been instrumental in creating, designing and growing the hugely successful Age of Empires series, and its talented team brings significant experience and expertise to Keywords, particularly in real-time strategy games. Mighty Games' talented game development team further strengthens our presence in Australia, following the recent acquisitions of Tantalus and Wicked Witch. We are also delighted to welcome Smoking Gun Interactive which has a long track record in developing, enhancing and supporting highly rated, cross platform games and gives us access to a high-quality team in Vancouver.

The market opportunity and outlook

The underlying video games market remains healthy and is expected to have a strong focus on new content during the second half of the year as developers continue to capitalise on higher player numbers and create more sophisticated content to engage players for longer.

We expect continued strong demand across our Create service line, as the industry seeks to source more highly-skilled, project-critical resources with integrated, collaborative approaches and as developers seek external senior expertise that has traditionally been kept internal. While there are indications that some clients are taking a more cautious approach to game investments given the current economic backdrop, the Create service line remains resilient, due to the quality of our studios and talent and its strong client relationships, globally.

Globalize (Audio, Localization and Testing): 44.1% of Group revenue in H1

Globalize brings together our Audio, Testing and Localization businesses to create a global business with nearly 5,000 people in 35 studios across 45 locations.

H1 2022 Performance

Globalize performed well in the first half with total revenues up by 31.8% to €141.5m (H1 2021: €107.4m). Organic Revenue, which excludes the impact of acquisitions, grew by 25.7%.

All of the lines of business within Globalize performed well during the period as the benefits from the current levels of content creation flowed through to the later stages of the development cycle that Globalize serves.

In Functional testing we saw accelerated growth, as our Polish operations relocated to a new state-of-the-art facility and recruitment increased, and both India and Montreal performed well. We continued to grow our teams to meet demand and are supporting a 'follow the sun' workflow, allowing us to distribute resources across different geographies. We mitigated the impact of increased costs in some territories through considered pricing adjustments, allowing us to continue to secure talent and maintain high quality output.
In Localisation, Text Localisation more than offset slightly slower Audio Localisation, in part due to the development of a specific AI driven workflow that was deployed in H1 for a key client. Audio Localisation was impacted by delays to certain projects during the period.

Adjusted EBITDA in Globalize grew 47.4% to €31.1m in H1 2022 (H1 2021: €21.1m), with the Adjusted EBITDA margin increasing from 19.6% in H1 2021 to 22.0% in H1 2022. Globalize has benefitted from operating leverage due to its strong growth and the strength of the US dollar in which we invoice a proportion of our sales.

The market opportunity and outlook

We are continuing to see the trend towards external service provision continue across the various Globalize lines of business and, with our industry leadership position, are well-positioned to capture increasing demand across this service line.

Activity levels across the service line remain high and we are continuing to recruit aggressively and distribute work across studios to ensure client needs are met. Demand for testing services continues to grow and we are expecting audio localisation to improve in H2 as projects come through. In parallel with this we will continue to build on the Kantan localisation technology.

Engage (Marketing and Player Experience): 17.2% of Group revenue in H1

Our Engage service line brings together our Marketing and Player Experience services to create a service offering focused on player engagement, encompassing over 2,000 people in 28 studios across 30 locations.

H1 2022 Performance

Engage performed well in the first half with revenues up by 22.1% to €55.3m (H1 2021: €45.3m). Organic Revenue, which excludes the impact of acquisitions, grew by 9.8% for Engage.

Player Support performed strongly with the addition of a number of new clients and good growth across our top clients. Social Media and Health and Safety Services also continue to grow and are developing into a key part of our offering. We are also developing our Kantan AI machine translation capability to extend the number of languages that our agents are able to service.

Our Marketing studios delivered a more modest performance in part due to the exceptional performance in H1 2021, during which the business experienced significant organic growth of over 50%. In addition, the H1 2022 performance was impacted by some client specific project delays, particularly across our North American studios.

Adjusted EBITDA grew 22.7% to €8.1m in H1 2022 (H1 2021: €6.6m), with the H1 2022 Adjusted EBITDA margin of 14.6% in line with the previous year period (H1 2021: 14.6%).

The market opportunity and outlook

The creation of the Engage service line, presents an exciting opportunity to better demonstrate the breadth of our offering to publishers. It allows us to offer an improved portfolio of services to clients, supporting deeper relationships.

We continue to broaden our Marketing service range, with the aim of offering an end-to-end holistic solution and increase the number of major clients we support. In Player Support, positive first half trends are expected to continue in H2, with our operations in both Manila and Mexico experiencing significant growth. As highlighted previously, the successful integration of our Machine Translation AI, Kantan, provides further opportunities for the business and is something we are looking to build on moving forward.

Financial and Operating Review

Strong revenue growth and margin performance

Revenue

Revenue for H1 2022 increased by 34.5% to €321.1m (H1 2021: €238.7m). This growth was supplemented by the impact of acquisitions in 2021, and benefited by €17.5m (~7%) from the impact of currency movements, particularly the strengthening of the US dollar against the Euro in the period.

Organic Revenue growth (which adjusts for the impact of acquisitions) was up 21.7%. This was driven by a strong performance across all service lines, against the comparative period in H1 2021, particularly in our Create and Globalize Service Lines. Further details of the trading performances of each of the Service Lines are provided in the Service Line Review.

Gross profit and margin

Gross profit in H1 2022 was €124.5m (H1 2021: €91.1m) representing an increase of 36.7%. The gross margin improved by 0.6% points to 38.8% (H1 2021: 38.2%) compared to the prior period partly driven by a ~1% point benefit from foreign exchange from the strong US dollar during the period in which we invoice a proportion of our sales.

Operating costs

Adjusted operating costs increased by 34.5% to €54.4m (H1 2021: €40.4m), reflecting the larger Group, but remained constant at 16.9% of revenue. This was driven by continued good cost control, as the Group looked to manage the impact of increased travel and entertainment costs as these activities increased with the easing of COVID-19 restrictions.

EBITDA

EBITDA increased 49.5% to €61.0m (H1 2021: €40.8m). Adjusted EBITDA increased 38.3% to €70.1m compared with €50.7m for H1 2021. The Adjusted EBITDA margin in H1 2022 of 21.8% was 0.6% pts higher than H1 2021 (21.2%) reflecting the strong growth in revenues whilst managing costs, together with the favourable foreign exchange impact noted above.

Net finance costs

Net finance costs reduced by €2.0m to €0.4m (H1 2021: €2.4m), primarily driven by a €2.4m foreign exchange gain compared to a €0.5m foreign exchange loss in H1 2021. This benefit was partially offset by an increase in the unwinding of discounted liabilities relating to deferred consideration of €0.7m compared to H1 2021.

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:

	H1-22 €m	H1-21 €m
Share based payment expense	8.9	8.5
Costs of acquisition and integration	1.3	1.5
Amortisation of intangible assets	7.5	6.6
Foreign exchange and other items	(2.0)	1.2
	15.7	17.8

1.1m options were granted under the Long-Term Incentive Plan in H1 2022. This, together with grants from previous years, has resulted in a non-cash share option expense of €8.9m in H1 2022 (H1 2021: €8.5m).

One-off costs associated with the acquisition and integration of businesses amounted to €1.3m (H1 2021: €1.5m). Amortisation and impairment of intangible assets charge increased by €0.9m to €7.5m (H1 2021: €6.6m) reflecting the recent levels of acquisition activity.

Foreign exchange and other items amounted to a net gain of €2.0m (H1 2021: €1.2m charge). 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 gain of €2.4m, recorded within financing income (H1 2021: €0.5m 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 €17.2m (+78.2% year on year) to €39.1m (H1 2021: €21.9m). Adjusted profit before tax, which adjusts for the items described in the APMs section above increased by €15.1m (+38.0% year on year) to €54.8m compared with €39.7m in H1 2021. This represents an improvement in Adjusted profit before tax margin of 0.5% pts to 17.1% (H1 2021: 16.6%), although it includes a ~1% point benefit from foreign exchange, particularly the strong US dollar during the period as we invoice a proportion of our sales in US dollars.

Taxation

The tax charge increased by €4.6m to €10.9m (H1 2021: €6.3m) 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 2022 was 22.0% (H1 2021: 21.5%), slightly higher than the rate of 21.6% in FY 2021.

Earnings per share

Basic earnings per share increased by 76.4% to 36.80c (H1 2021: 20.86c) primarily reflecting the increase in the statutory Profit after tax of 80.0%. Adjusted earnings per share which adjusts for the items noted in the APMs section above and the tax impact arising on these items was 55.89c representing an increase of 34.4% (H1 2021: 41.57c), with the rise in Adjusted profit before tax of 38.0% partially offset by a 2.0% increase in the basic weighted average number of shares.

Cash flow and net debt

	H1-22 €m	H1-21 €m	Change €m
Adjusted EBITDA	**70.1**	**50.7**	**19.4**
MMTC and VGTR	(10.4)	(3.8)	(6.6)
Working capital and other items	(12.7)	1.7	(14.4)
Capex - property, plant and equipment (PPE)	(10.0)	(9.4)	(0.6)
Capex - intangible assets	(0.2)	(0.2)	-
Payments of principal on lease liabilities	(5.5)	(4.6)	(0.9)
Operating cash flows	**31.3**	**34.4**	**(3.1)**
Interest paid	(0.8)	(0.8)	-
Free cash flow before tax	**30.5**	**33.6**	**(3.1)**
Tax	(6.2)	(9.8)	3.6
Free cash flow	**24.3**	**23.8**	**0.5**
M&A - acquisition spend	(13.6)	(44.7)	31.1
M&A - acquisition and integration costs	(1.3)	(1.5)	0.2
Other Income	1.1	-	1.1
Dividends paid	(1.3)	-	(1.3)
Shares issued for cash	2.4	2.3	0.1
Underlying increase / (decrease) in net cash / (debt)	**11.6**	**(20.1)**	**31.7**
FX and other items	4.1	1.3	2.8
Increase in net cash / (debt)	**15.7**	**(18.8)**	**34.5**
Opening net cash / (debt)	105.6	102.9	
Closing net cash / (debt)	121.3	84.1	

The Group generated Adjusted EBITDA of €70.1m in H1 2022, an increase of €19.4m from €50.7m in H1 2021. There was a €10.4m outflow in respect of the amounts due for Multi-Media Tax Credits (MMTC) as we returned to the regular H2 collection cycle of MMTC and Video Games Tax Relief (VGTR). MMTCs and VGTRs are subsidies that are recognised as work is performed but are typically paid in the second half of the following year. Other working capital increased by €12.7m compared to an inflow of €1.7m in H1 2021 due to the strong growth in the business and working capital phasing.

Investment in property, plant and equipment increased by €0.6m to €10.0m (H1 2021: €9.4m) as we continued to invest in growing the business. We are opening a number of new facilities in H2 and anticipate higher capex levels. Property lease payments of principal of €5.5m were 19.6% higher than the prior period (H1 2021: €4.6m) mainly related to acquisitions in the period.

Operating cash flows of €31.3m were below H1 2021 (€34.4m), primarily due to the €21.0m increase in working capital, partially offset by a €3.6m reduction in cash tax paid to €6.2m (H1 2021: €9.8m) as the Group benefitted from timing differences that resulted in less payments in the period in respect of the 2021 tax payable. Net interest payments were flat at €0.8m.

This resulted in Free cash flow of €24.3m, slightly ahead of H1 2021 (€23.8m). Adjusted free cash flow, which adjusts for capital expenditure that is supporting growth in future periods was €31.7m in H1 2022, below H1 2021 (€37.7m) and resulted in an Adjusted cash conversion rate of 57.9% (H1 2021: 94.9%). The lower rate in the first half is largely due to the working capital phasing noted above and we continue to expect Adjusted cash conversion of ~80% for the full year.

Cash spent on acquisitions totalled €14.9m, of which €13.6m was in respect of the cash component of prior year acquisitions and €1.3m was in relation to acquisition and integration costs. This was €31.1m lower than the spend in H1 2021 due to the timing of acquisitions. This, together with foreign exchange and other movements of €4.1m, resulted in an increase in net cash of €15.7m in H1 2022, leading to closing net cash of €121.3m (H1 2021: net cash of €84.1m, FY 2021: net cash of €105.6m).

Balance sheet and liquidity

The Group funds itself primarily through cash generation and a syndicated revolving credit facility (RCF) of €150m, with an accordion option to increase this up to €200m. The RCF matures in December 2024 with an option to extend the term by two further one-year periods. 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 €105.6m as at 31 December 2021. Following €13.6m of cash deployed in the period to support the Group's value accretive M&A programme, at the end of H1 2022, Keywords had net cash (excluding IFRS 16 leases) of €121.3m and undrawn committed facilities of €150m.

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 0.77p per share (H1 2021: 0.70p) representing an increase of 10.0% on the 2021 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 long-term strategy of driving compounded growth through carefully selected acquisitions.

Payments will be made on 28 October 2022 to shareholders on the register on 7 October 2022 and will go ex-dividend on 6 October 2022. The interim dividend payment will represent a total cost of approximately €0.7m of cash resources.

Guidance for remainder of 2022

We have made an encouraging start to the second half of the year and expect demand to continue to be healthy across our service lines, albeit with organic growth rates and margins moderating in the second half as previously guided.

Full year Adjusted Profit Before Tax margins are expected to return towards ~15% as investment in the business and the return of certain costs to pre-COVID levels are expected to offset the FX benefits, while the increasing transition of our people and work from Russia is also expected to hold back margins in the second half. The adjusted Effective Tax rate for the full year is expected to be in line with the first half rate of ~22%.

We continue to anticipate capex at a higher level than in 2021 relative to revenue, reflecting some expansionary capex but we are still targeting a full year Adjusted Cash Conversion rate of around ~80%.

Following the trading update in early August, all of the above items are reflected in the recently increased current revenue and profit market consensus* for 2022.

Jon Hauck

Chief Financial Officer

**As at 20th September 2022, company compiled analysts' expectations gave a consensus for FY 2022 of €642m for revenue and €102m for Adjusted Profit Before Tax (prior to the August trading update €612m and €94m respectively).*

Cautionary statement

This press release may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate, and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Keywords Studios plc as of the date of the preparation of this press release. All forward-looking statements contained in this press release are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Keywords Studios plc disclaims any obligation to update or revise any forward-looking statement contained in this press release to reflect any change in circumstances or its expectations.

Condensed interim consolidated statement of comprehensive income

	Note	**Unaudited Half Year 30 Jun 22 €'000**	Unaudited Half Year 30 Jun 21 €'000	Audited Year 31 Dec 21 €'000
Revenue from contracts with customers	5	**321,140**	238,664	512,200
Cost of sales		**(196,642)**	(147,541)	(312,086)
Gross profit		**124,498**	91,123	200,114
Other income*		**1,107**	-	-
Share-based payments expense		**(8,940)**	(8,454)	(16,394)
Costs of acquisition and integration		**(1,284)**	(1,464)	(7,972)
Amortisation of intangible assets	9	**(7,469)**	(6,553)	(13,688)
Total of items excluded from adjusted profit measures		**(17,693)**	(16,471)	(38,054)
Other administration expenses		**(68,459)**	(50,331)	(111,695)
Administrative expenses		**(86,152)**	(66,802)	(149,749)
Operating profit		**39,453**	24,321	50,365
Financing income	6	**2,514**	49	2,045
Financing cost	6	**(2,889)**	(2,442)	(4,427)
Profit before taxation		**39,078**	21,928	47,983
Taxation		**(10,937)**	(6,286)	(13,875)
Profit after taxation		**28,141**	15,642	34,108
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit plans		**-**	(100)	27
Items that are or may be reclassified subsequently to profit or loss				
Exchange gain / (loss) in net investment in foreign operations		**11,875**	3,118	8,228
Exchange gain / (loss) on translation of foreign operations		**7,148**	8,713	14,581
Non-controlling interest; recycled on disposal of subsidiary*		**162**	-	-
Total comprehensive income / (expense)		**47,326**	27,373	56,944
Profit / (loss) for the period attributable to:				
Owners of the parent		**28,186**	15,675	34,175
Non-controlling interest		**(45)**	(33)	(67)
		28,141	15,642	34,108
Total comprehensive income / (expense) attributable to:				
Owners of the parent		**47,209**	27,406	57,011
Non-controlling interest		**117**	(33)	(67)
		47,326	27,373	56,944
Earnings per share		**€ cent**	€ cent	€ cent
Basic earnings per ordinary share	7	**36.80**	20.86	45.16
Diluted earnings per ordinary share	7	**35.52**	19.73	42.98

* Other income represents the gain on disposal of the Group's investment in AppSecTest, made in April 2022 (including related Non-controlling interest re-cycled on disposal).

Condensed interim consolidated statement of financial position

	Note	**Unaudited At 30 Jun 22 €'000**	Unaudited At 30 Jun 21 €'000	Audited At 31 Dec 21 €'000
Non-current assets				
Intangible assets	9	**361,510**	343,273	353,943
Right of use assets	9	**34,014**	39,453	35,991
Property, plant and equipment	9	**38,319**	31,443	36,018
Deferred tax assets		**21,786**	18,494	21,468
Investments		**175**	-	175
		455,804	432,663	447,595
Current assets				
Cash and cash equivalents		**121,395**	84,285	105,710
Trade receivables	10	**88,387**	62,405	68,067
Other receivables	10	**72,225**	46,988	49,110
Corporation tax recoverable		**6,361**	-	6,764
		288,368	193,678	229,651
Current liabilities				
Trade payables		**11,392**	9,060	11,122
Other payables	13	**122,723**	98,286	108,423
Loans and borrowings	14	**64**	-	81
Corporation tax liabilities		**15,473**	9,112	12,635
Lease liabilities	16	**11,101**	11,353	11,217
		160,753	127,811	143,478
Net current assets / (liabilities)		**127,615**	65,867	86,173
Non-current liabilities				
Other payables	13	**8,007**	21,659	18,254
Employee defined benefit plans		**3,270**	2,989	3,088
Loans and borrowings	14	**31**	165	48
Deferred tax liabilities		**17,016**	16,485	13,840
Lease liabilities	16	**24,766**	29,434	26,418
		53,090	70,732	61,648
Net assets		**530,329**	427,798	472,120
Equity				
Share capital	11	**912**	896	904
Share capital - to be issued	11	**810**	4,808	2,185
Share premium	11	**40,984**	25,198	38,549
Merger reserve	11	**275,021**	276,987	273,677
Foreign exchange reserve		**31,844**	1,843	12,821
Shares held in Employee Benefit Trust ("EBT")		**-**	(1,997)	(1,997)
Share-based payments reserve		**55,970**	40,253	48,193
Retained earnings		**124,788**	79,893	97,905
		530,329	427,881	472,237
Non-controlling interest		**-**	(83)	(117)
Total equity		**530,329**	427,798	472,120

Condensed interim consolidated statement of changes in equity

	Share capital	Share capital - to be issued	Share premium	Merger reserve	Foreign exchange reserve	Shares held in EBT	Share-based payments reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 01 January 2021	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	-	-	-	-	-	-	-	-	-	-	-
Share-based payments expense	-	-	-	-	-	-	8,454	-	8,454	-	8,454
Share options exercised	6	-	2,247	-	-	-	-	-	2,253	-	2,253
Employee Share Purchase Plan	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Acquisition related issuance of shares	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
Profit / (loss) for the period	-	-	-	-	-	-	-	18,500	18,500	(34)	18,466
Other comprehensive income	-	-	-	-	10,978	-	-	127	11,105	-	11,105
Total comprehensive income for the period	-	-	-	-	10,978	-	-	18,627	29,605	(34)	29,571
Contributions by and contributions to the owners:											
Shares issued for cash	-	-	-	-	-	-	-	-	-	-	-
Share-based payments expense	-	-	-	-	-	-	7,940	-	7,940	-	7,940
Share options exercised	5	-	2,682	-	-	-	-	-	2,687	-	2,687
Employee Share Purchase Plan	-	-	398	-	-	-	-	-	398	-	398
Dividends	-	-	-	-	-	-	-	(615)	(615)	-	(615)
Acquisition related issuance of shares	3	(2,623)	10,271	(3,310)	-	-	-	-	4,341	-	4,341
Contributions by and contributions to the owners	8	(2,623)	13,351	(3,310)	-	-	7,940	(615)	14,751	-	14,751
At 31 December 2021	**904**	**2,185**	**38,549**	**273,677**	**12,821**	**(1,997)**	**48,193**	**97,905**	**472,237**	**(117)**	**472,120**
Profit / (loss) for the period	-	-	-	-	-	-	-	28,186	28,186	(45)	**28,141**
Recycled on disposal of subsidiary	-	-	-	-	-	-	-	-	-	162	**162**
Other comprehensive income	-	-	-	-	19,023	-	-	-	19,023	-	**19,023**
Total comprehensive income for the period	-	-	-	-	19,023	-	-	28,186	47,209	117	**47,326**
Contributions by and contributions to the owners:											
Shares issued for cash	-	-	-	-	-	-	-	-	-	-	**-**
Share-based payments expense	-	-	-	-	-	-	8,886	-	8,886	-	**8,886**
Share options exercised	7	-	1,953	-	-	1,997	(1,163)	-	2,794	-	**2,794**
Employee Share Purchase Plan	-	-	482	-	-	-	54	-	536	-	**536**
Dividends	-	-	-	-	-	-	-	(1,303)	(1,303)	-	**(1,303)**
Acquisition related issuance of shares (note 11)	1	(1,375)	-	1,344	-	-	-	-	(30)	-	**(30)**
Contributions by and contributions to the owners	8	(1,375)	2,435	1,344	-	1,997	7,777	(1,303)	10,883	-	**10,883**
At 30 June 2022	**912**	**810**	**40,984**	**275,021**	**31,844**	**-**	**55,970**	**124,788**	**530,329**	**-**	**530,329**

Condensed interim consolidated statement of cash flows

	Note	**Unaudited Half Year 30 Jun 22 €'000**	Unaudited Half Year 30 Jun 21 €'000	Audited Year 31 Dec 21 €'000
Cash flows from operating activities				
Profit after taxation		**28,141**	15,642	34,108
Income and expenses not affecting operating cash flows				
Depreciation - property, plant and equipment	9	**8,790**	5,347	11,661
Depreciation - right of use assets	9	**5,591**	4,789	10,473
Amortisation and impairment of intangible assets	9	**7,469**	6,553	13,688
Taxation		**10,937**	6,286	13,875
Share-based payments expense		**8,940**	8,454	16,394
Fair value adjustments to contingent consideration		**-**	-	5,567
Unwinding of discounted liabilities - deferred consideration	6	**1,478**	736	1,882
Unwinding of discounted liabilities - lease liabilities	6	**465**	484	985
Interest receivable	6	**(102)**	(49)	(62)
Fair value adjustments to employee defined benefit plans		**-**	(136)	419
Interest expense	6	**629**	433	1,040
Unrealised foreign exchange (gain) / loss		**2,774**	1,752	583
		46,971	34,649	76,505
Changes in operating assets and liabilities				
Decrease / (increase) in trade receivables		**(19,725)**	(8,316)	(15,117)
Decrease / (increase) in MMTC and VGTR receivable		**(10,384)**	(3,844)	(4,502)
Decrease / (increase) in other receivables		**(9,935)**	(2,340)	3,341
(Decrease) / increase in accruals, trade and other payables		**11,679**	11,236	20,158
		(28,365)	(3,264)	3,880
Taxation paid		**(6,181)**	(9,791)	(23,948)
Net cash generated by / (used in) operating activities		**40,566**	37,236	90,545
Cash flows from investing activities				
Current year acquisition of subsidiaries net of cash acquired	17	**-**	(39,539)	(48,697)
Settlement of deferred liabilities on acquisitions	13	**(13,579)**	(5,158)	(14,393)
Acquisition of property, plant and equipment	9	**(9,997)**	(9,378)	(19,360)
Investment in intangible assets	9	**(178)**	(157)	(315)
Other investment		**-**	-	(175)
Interest received		**102**	49	62
Net cash generated by / (used in) investing activities		**(23,652)**	(54,183)	(82,878)
Cash flows from financing activities				
Repayment of loans	14	**(42)**	(37)	(80)
Payments of principal on lease liabilities	16	**(5,453)**	(4,551)	(9,953)
Interest paid on principal of lease liabilities	16	**(465)**	(484)	(985)
Dividends paid		**(1,303)**	-	(615)
Shares issued for cash	11	**2,435**	2,253	5,338
Interest paid		**(413)**	(337)	(1,753)
Net cash generated by / (used in) financing activities		**(5,241)**	(3,156)	(8,048)
Increase / (decrease) in cash and cash equivalents		**11,673**	(20,103)	(381)
Exchange gain / (loss) on cash and cash equivalents		**4,012**	1,318	3,021
Cash and cash equivalents at beginning of the period		**105,710**	103,070	103,070
Cash and cash equivalents at end of the period		**121,395**	84,285	105,710

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 2022.

The interim results for the half year ended 30 June 2022 and the half year ended 30 June 2021 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 2021, 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 2022.

There have been no changes in the principal risks and uncertainties during the period and therefore these remain consistent with the year ended 31 December 2021 and are disclosed in the Annual Report for that year. The Directors continue to monitor the impact of COVID-19 and the Ukraine crisis on the principal risks and uncertainties.

Going Concern Basis of Accounting

After making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the interim financial statements. In doing so, the Directors have considered the uncertain nature of the current COVID-19 pandemic and also considered the implications of the crisis in Ukraine, but have noted:

- The strong cash flow performance of the Group through the year;
- 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 applied downside sensitivities to the Group's cash flow projections to evaluate the Group's ability to withstand a further prolonged period of studio closures as a result of the COVID-19 pandemic, leading to a reduction in production capability and a worst case scenario of withdrawing from the Group's operations in Russia. 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 twelve months from the date of these financial statements and therefore the going concern basis of preparation continues to be appropriate.

In doing so, the Directors have also considered the Group's strong liquidity position with net cash of €121.3m as at 30 June 2022, and committed undrawn facilities of €150m under the Revolving Credit Facility ("RCF").

The Condensed interim consolidated financial statements made up to 30 June 2022 were approved by the Board of Directors on 20 September 2022.

2 Changes in Significant Accounting Policies

New Standards, Interpretations and Amendments effective 1 January 2022

A number of new amendments and interpretations to accounting standards are effective from 1 January 2022 including:

- 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.

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 2022 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 effective for the period beginning 1 January 2023 are expected to be impactful on the Group moving forward:

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

adoption based on the carrying value of Right of Use Assets and Lease Liabilities at 30 June 2022 would result in additional Deferred tax assets of €8.5m and Deferred tax liabilities of €8.1m being recognised.

Other amendments effective for the period beginning 1 January 2023:

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

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

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 2021, 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 2021. 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.
- Operating Segments:
    - While previously it was considered that the Group's activity, as a single source supplier of services to the gaming industry, constituted one operating and reporting segment (as defined under IFRS 8 Operating Segments), following on recent executive and organisational changes, the Board consider it more meaningful to present information by segment aligning to the new organisational and reporting structures:

        - Create – Game Development and Art Creation;
        - Globalize – Functional Testing, Localization Testing, Audio and Localization; and,
        - Engage – Marketing and Player Support.

      The Operating segments are reported in note 5, in a manner consistent with the new internal organisational and management structure, and the internal reporting information provided to the Chief Operating Decision Maker ("CODM") who is responsible for allocating resources and assessing performance of the operating segments. The CODM has been identified as the executive management team made up of the Chief Executive Officer and the Chief Financial Officer.

      As a corollary, the Board also considered how the change in segmental reporting impacted the Group's cash generating units (CGUs). CGUs represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8. While previously the Group was considered to have one CGU, the change in segmental reporting requires the Group's CGU's to be re-considered. The Board determined that monitoring goodwill for impairment at the line of business level (i.e. Art, Game Development etc.) would be the most appropriate (see note 9).

5 Segmental Analysis and Revenue from Contracts with Customers

Segmental Analysis*

	Unaudited Half Year 30 Jun 22 €'000	Unaudited Half Year 30 Jun 21 €'000	Audited Year 31 Dec 21 €'000
Revenue from external customers			
Create	**124,280**	85,962	188,178
Globalize	**141,585**	107,410	231,901
Engage	**55,275**	45,292	92,121
	321,140	238,664	512,200
Segment operating profit			
Create	**30,906**	23,039	49,730
Globalize	**31,130**	21,051	47,383
Engage	**8,112**	6,622	12,987
	70,148	50,712	110,100
Reconciliation of Segment operating profit			
Adjusted EBITDA^	**70,148**	50,712	110,100
Share-based payments expense	**(8,940)**	(8,454)	(16,394)
Costs of acquisition and integration	**(1,284)**	(1,464)	(7,972)
Non-controlling interest	**(45)**	(33)	(67)
Other income	**1,107**	-	-
Amortisation of intangible assets	**(7,469)**	(6,553)	(13,688)
Depreciation - property plant and equipment	**(8,790)**	(5,347)	(11,661)
Depreciation - right of use assets	**(5,591)**	(4,789)	(10,473)
Bank charges	**317**	249	520
Operating profit	**39,453**	24,321	50,365
Financing income	**2,514**	49	2,045
Financing cost	**(2,889)**	(2,442)	(4,427)
Profit before taxation	**39,078**	21,928	47,983

*The prior year comparatives have been re-classified to present information by segment, aligning to the new organisational and reporting structures (see note 4).
^ The Group reports a number of alternative performance measures ("APMs"), including Adjusted EBITDA, to present the financial performance of the business, that are not GAAP measures as defined under IFRS. Segmental results are reported in a manner consistent with these measures. A reconciliation of Adjusted EBITDA to the relevant GAAP measure is presented in the APM's section below.

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

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

Geographical analysis of revenues, by producing location*	**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Canada	**70,151**	46,783	97,748
United Kingdom	**57,666**	44,744	94,426
United States	**56,407**	44,309	96,060
Russia	**17,838**	15,244	29,424
Italy	**17,338**	16,331	32,448
Poland	**13,917**	7,936	21,397
India	**12,290**	8,762	18,640
China	**11,478**	9,646	20,350
Japan	**11,181**	10,623	21,898
Other	**52,874**	34,286	79,809
	321,140	238,664	512,200

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

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

Revenue expected to be recognised	**Total undelivered €'000**	**Scheduled completion within 1 year €'000**	**Scheduled completion 1-2 years €'000**	**Scheduled completion 2-5 years €'000**
At 30 June 2022	**62,442**	**48,679**	**12,719**	**1,044**
At 30 June 2021	22,799	14,617	7,190	992
At 31 December 2021	55,294	44,973	9,319	1,002

Geographical analysis of non-current assets from continuing businesses	**Unaudited Half Year 30 Jun 22 €'000**	Unaudited Half Year* 30 Jun 21 €'000	Audited Year 31 Dec 21 €'000
United States	**176,906**	169,855	171,126
United Kingdom	**119,682**	118,436	114,871
Australia	**48,132**	40,124	45,528
Canada	**28,444**	25,937	31,096
Italy	**15,610**	15,771	15,612
Switzerland	**10,025**	10,025	10,025
Ireland	**9,994**	9,594	8,422
China	**9,081**	8,736	8,296
France	**7,472**	7,970	7,548
Japan	**4,795**	6,296	6,955
Other	**25,663**	19,919	28,116
	455,804	432,663	447,595

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

Seasonal Business

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

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

	Unaudited Year 30 Jun 22 €'m	Unaudited Year 30 Jun 21 €'m
Revenue	**595**	439
Gross profit	**233**	170

6 Financing Income and Cost

	Unaudited Half Year 30 Jun 22 €'000	Unaudited Half Year 30 Jun 21 €'000	Audited Year 31 Dec 21 €'000
Financing income			
Interest received	**102**	49	62
Foreign exchange gain	**2,412**	-	1,983
	2,514	49	2,045
Financing cost			
Bank charges	**(317)**	(249)	(520)
Interest expense	**(629)**	(433)	(1,040)
Unwinding of discounted liabilities - lease liabilities	**(465)**	(484)	(985)
Unwinding of discounted liabilities - deferred consideration	**(1,478)**	(736)	(1,882)
Foreign exchange loss	**-**	(540)	-
	(2,889)	(2,442)	(4,427)
Net financing income / (cost)	**(375)**	(2,393)	(2,382)

7 Earnings per Share

	Unaudited Half Year 30 Jun 22 € cent	Unaudited Half Year 30 Jun 21 € cent	Audited Year 31 Dec 21 € cent
Basic	**36.80**	20.86	45.16
Diluted	**35.52**	19.73	42.98

Earnings	**€'000**	€'000	€'000
Profit for the period from continuing operations	**28,141**	15,642	34,108

Weighted average number of equity shares	**Number**	Number	Number
Basic (i)	**76,478,194**	74,980,344	75,526,296
Diluting impact of share options (ii)	**2,756,818**	4,312,961	3,826,990
Diluted (i)	**79,235,012**	79,293,305	79,353,286

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

	Number	Number	Number
	34,709	254,383	219,146

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

	Number	Number	Number
LTIPs	**1,720,825**	862,000	903,656
Share options	**519,000**	-	-
	2,239,825	862,000	**903,656**

8 Dividends

Dividends recommended	**In respect of**	**Expected € cent per share**	**Pence STG per share**	**Expected interim dividend €'000**	**Expected payment date**
Interim	2022	0.90	0.77	690	Oct-22

At 30 June 2022, Retained earnings available for distribution (being Retained earnings plus Share-based payments reserve) in the Company were €46.5m. In addition, the Company has amounts included in the Merger reserve of €123.9m that are considered distributable (note 11).

9 Non-current Assets

Movement of the carrying value of Non-current assets	Unaudited Half Year 30 Jun 22 €'000 Property, plant and equipment	Unaudited Half Year 30 Jun 22 €'000 Right of use assets	Unaudited Half Year 30 Jun 22 €'000 Intangible assets - goodwill	Unaudited Half Year 30 Jun 22 €'000 Intangible assets - other	Unaudited Half Year 30 Jun 22 €'000 Intangible assets - total
Carrying amount at the beginning of the period	**36,018**	**35,991**	**324,890**	**29,053**	**353,943**
Additions	9,997	1,978	-	178	178
Depreciation charge	(8,790)	(5,591)	-	-	-
Amortisation charge	-	-	-	(7,469)	(7,469)
Exchange rate movement	1,094	1,636	13,146	1,712	14,858
Carrying amount at the end of the period	**38,319**	**34,014**	**338,036**	**23,474**	**361,510**

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The CGU's represent the lowest level within the Group at which the associated goodwill is assessed for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8 Operating Segments. As outlined in note 4, the Board have determined the lines of business as CGU's, and Goodwill acquired in business combinations has been allocated to the CGUs that are expected to benefit from business combinations to date.

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

Segment	CGU	Unaudited At 30 Jun 22 €'m Intangible assets - goodwill
Create:	Game Development	185.0
	Art Creation	19.7
Globalize:	Functional Testing	15.2
	Localization Testing	14.4
	Audio	33.6
	Localization	18.5
Engage:	Marketing	39.4
	Player Support	12.2
		338.0

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 2022 an interim assessment by CGU was made based on the same underlying assumptions used in the last Annual Report, but using updated forecasts and projections. Based on this interim review of the value in use calculations, no impairment is required in the period. The Directors consider that no reasonably probable change in assumptions would result in an impairment.

10 Trade and Other Receivables

	Unaudited At 30 Jun 22 €'000	Unaudited At 30 Jun 21 €'000	Audited At 31 Dec 21 €'000
Trade receivables derived from contracts with customers	**90,270**	64,752	69,835
Provision for bad debts (i) (ii)	**(1,883)**	(2,347)	(1,768)
Financial asset held at amortised cost	**88,387**	62,405	68,067
Accrued income from contracts with customers	**15,886**	12,152	9,997
Prepayments	**10,414**	5,128	7,114
Rent deposits and other receivables	**4,744**	4,134	4,203
Multimedia tax credits / video games tax relief	**34,452**	21,671	22,860
Tax and social security	**6,729**	3,903	4,936
Other receivables	**72,225**	46,988	49,110

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

	Unaudited Half Year 30 Jun 22 €'000
Provision at the beginning of the period	**(1,768)**
Impairment of financial assets (trade receivables) charged to other administration expenses	(150)
Amounts written off against the provision in the period	8
Exchange rate movement	27
Provision at the end of the period	**(1,883)**
Credit loss experience	**1.0%**

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

	Unaudited At 30 Jun 22 €'000
Credit impaired	(980)
Expected credit losses	(903)
Provision at the end of the period	**(1,883)**

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 2022			**76,275,775**	**70,144**	**904**	**2,185**	**38,549**	**273,677**
Acquisition related issuance of shares:								
Waste Creative	24-Jan-22	30.78	20,585	(20,585)	1	(634)	-	633
Heavy Iron	03-Feb-22	31.84	12,967	(12,914)	-	(411)	-	411
Jinglebell	11-Mar-22	26.41	11,564	(11,564)	-	(330)	-	300
Acquisition related issuance of shares			**45,116**	**(45,063)**	**1**	**(1,375)**	**-**	**1,344**
Employee Share Purchase Plan			19,468	-	-	-	482	-
Issue of shares on exercise of share options			586,198	-	7	-	1,953	-
At 30 June 2022			**76,926,557**	**25,081**	**912**	**810**	**40,984**	**275,021**

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

12 Share Options

	Share Option Scheme		Long Term Incentive Plan		Salary Shares	
	Average exercise price in £ per share	**Number of options**	**Average exercise price in £ per share**	**Number of options**	**Average exercise price in £ per share**	**Number of options**
At 01 January 2022	**15.68**	**2,423,568**	**0.01**	**3,704,898**	**0.01**	**26,738**
Granted	-	-	0.01	859,690	0.01	229,676
Lapsed	19.11	(119,964)	0.01	(96,116)	0.01	(1,638)
Exercised	4.34	(473,437)	0.01	(447,643)	0.01	(543)
At 30 June 2022	**18.38**	**1,830,167**	**0.01**	**4,020,829**	**0.01**	**254,233**
Exercisable at 30 June 2022	**15.28**	**705,167**	**0.01**	**1,052,157**	**0.01**	**-**
Weighted average share price at date of exercise	**22.38**		**23.43**		**22.78**	

Analysis of Shares Exercised	**Number of options**	**Number of options**	**Number of options**
Exercised via issuance of new shares	(173,012)	(412,643)	(543)
Exercised via utilisation of shares held in EBT	(300,425)	(35,000)	-
	(473,437)	**(447,643)**	**(543)**

13 Other Payables

	Unaudited At 30 Jun 22 €'000	Unaudited At 30 Jun 21 €'000	Audited At 31 Dec 21 €'000
Current liabilities			
Accrued expenses	**63,226**	38,591	53,526
Payroll taxes	**3,591**	3,067	2,666
Other payables (ii)	**19,886**	20,346	16,343
Deferred and contingent consideration (i)	**36,020**	36,282	35,888
	122,723	98,286	108,423
Non-current liabilities			
Deferred and contingent consideration (i)	**8,007**	21,659	18,254
	8,007	21,659	18,254

(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 22 €'000
Carrying amount at the beginning of the period	**54,142**
Consideration settled by cash	(13,579)
Unwinding of discount (note 6)	1,478
Exchange rate movement	1,986
Carrying amount at the end of the period	**44,027**

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 22 €'000**
Increase in expected performance - 10%	**634**
Decrease in expected performance - 10%	**(2,291)**

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 €0.2m to a maximum of €49.0m. The contractual maturities (representing undiscounted contractual cash flows) of the Group's deferred and contingent consideration liabilities were as follows:

	Unaudited At 30 Jun 22 €'000
Not later than one year	**36,020**
Later than one year and not later than two years	**1,671**
Later than two years and not later than five years	**6,336**
Total undiscounted contractual cash flows	**44,027**

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

14 Loans and Borrowings and Capital Management

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

	Unaudited Half Year 30 Jun 22 €'000
Carrying amount at the beginning of the period	**129**
Repayments	(42)
Exchange rate movement	8
Carrying amount at the end of the period	**95**

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 €150m, which may be drawn down in euro, sterling, US dollars or Canadian dollars, with an option (subject to lender consent), to increase the facility by up to €50m to a total of €200m, at interest rates based on a margin over currency benchmark rates, plus a separate margin charged for the unutilised facility. The RCF extends to December 2024, with an option to extend the term by two further one-year periods. 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 ratio was as follows:

	Unaudited At 30 Jun 22 €'000
Loans and borrowings	**95**
Less: cash and cash equivalents	**(121,395)**
Net debt / (net cash) position	**(121,300)**

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 22 €'000
Carrying amount at the beginning of the period	**37,635**
Liabilities recognised on new leases in the period	1,978
Unwinding of discounted liabilities - lease liabilities	465
Payment of principal and interest on lease liabilities	(5,918)
Exchange rate movement	1,707
Carrying amount at the end of the period	**35,867**

The value of leases not yet commenced to which the lessee is committed, which are not included in the lease liability at 30 June 2022, were €Nil.

17 Business Combinations / Events after the Reporting Date

Acquisition of Forgotten Empires, LLC
On 08 June 2022, the Group announced that it had entered into a conditional agreement (subject to certain closing conditions) to acquire Forgotten Empires, LLC ("Forgotten Empires"), a full service game development studio, for a total consideration of up to US$32.5m. Headquartered in Ohio in the United States, the studio comprises 53 game developers and specialises in the development of real time strategy games. Forgotten Empires generated revenue of US$7.2m in 2021. Under the terms of the acquisition, the Group will pay a maximum amount of US$32.5m, comprised of initial cash consideration of US$15.75m, the equivalent of US$3.75m in new ordinary shares to be issued one year post completion (US$2m of which is contingent on targets being met in the first six months from completion), and up to US$13m, in a mix of cash and new ordinary shares based on growth targets being met over the year following completion. The new ordinary shares to be issued are subject to one-year orderly market provisions. On 03 August 2022, the Group announced that it had completed the acquisition of Forgotten Empires under the terms previously announced.

Acquisition of Mighty Games Group Pty Ltd
On 03 August 2022, the Group announced the acquisition of Mighty Games Group Pty Ltd ("Mighty Games"). Based in Melbourne, Australia, the studio specialises in the development of automated games testing solutions including its "Build and Test" platform. Build and Test uses AI technology deployed on multiple machines to automatically test code, detect bugs and defects and report errors on a 24/7 basis. In addition to games testing solutions, the 21 person team provides game development services for clients including global mobile game developers as well as Australian developers and publishers. Under the terms of the Mighty Games acquisition, Keywords will pay a maximum amount of AUD$10.0m, comprised of initial cash consideration of AUD$4.8m, the equivalent of AUD$1.2m in new ordinary shares to be issued within 30 days of completion, and up to AUD$4.0m in a mix of cash and new ordinary shares based on growth targets being met over the three years following completion. The new ordinary shares to be issued are subject to one-year lock in periods and orderly market provisions for a further year.

18 Significant Events

Crisis in Ukraine
In 2022 the Group's operations have been impacted by the tragic events in Ukraine. Whilst the Group do not have operations in Ukraine, the Group does have Game Development teams in Russia, and also works with a number of freelance suppliers in Ukraine. Our priority has been to support our people and our freelance suppliers in the territory, whilst contributing to the wider humanitarian efforts in the region.

Revenues produced in Russia are presented in note 5. In the period, the Group produced €17.8m of Revenue in Russia, up from €15.2m in H1 2021, and represents approximately 5.5% of Group revenue. During the period, a number of projects supported in Russia have been transferred to other parts of the Group. We continue to work with our customers supporting their preferences for where their work should be performed. We also remain focused on mitigating any potential business interruption or other risks associated with our activities in Russia. As a consequence, we expect the volume of work produced in Russia to continue to reduce over time.

Geographical analysis of non-current assets from continuing businesses is also presented in note 5. Approximately €0.3m of the amount presented within the "Other" category relates to the carrying value of Russian located Property, plant and equipment, being mainly computer equipment. The Group does not have significant receivables exposure in Russia, as work produced in Russia is contracted and collected in other territories. In addition, the Group does not have significant amounts of net current assets located in Russia. Thus any exposure to impairment of assets located in Russia is not considered material.

As a consequence of the crisis, an additional impairment assessment was performed in the Game Development CGU, to evaluate any potential Goodwill impairment resulting from the crisis. The result of the value in use calculations was that no impairment would be required even in a worst case scenario where the contribution from all Russian located production capacity was excluded from projections, assuming no further work is able to be transferred to other parts of the Group.

Alternative performance measures

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

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

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

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

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

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

Free cash flow measures – The Group aims to generate sustainable cash flow (free cash flow) in order to support its acquisition 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, other income and dividend payments. Adjusted free cash flow is a measure of cash flow adjusting for capital expenditure that is supporting growth in future periods (represented by capital expenditure in excess of depreciation). In the prior year, the measure has also been adjusted for COVID-19 subsidies claimed given the one-time nature of this income.

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

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

Service line analysis

The following table presents revenue growth by service line at both actual exchange rates ("AER") and constant exchange rates ("CER"). Constant exchange rates are calculated by retranslating current year reported numbers at the corresponding 2021 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 22 Revenue AER €m	**Half Year 30 Jun 22 Revenue CER €m**	Half Year 30 Jun 21 Revenue AER €m	**Half Year 30 Jun 22 Growth AER %**	**Half Year 30 Jun 22 Growth CER %**
Create	**124.3**	**116.0**	86.0	**44.5%**	**34.9%**
Globalize	**141.5**	**135.0**	107.4	**31.8%**	**25.7%**
Engage	**55.3**	**52.6**	45.3	**22.1%**	**16.1%**
	321.1	**303.6**	238.7	**34.5%**	**27.2%**

*The prior year comparatives have been re-classified to the current year presentation as the Directors consider this to be more meaningful.

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 22 Revenue AER €m	**Half Year 30 Jun 22 Pre-acquisition revenue AER €m**	**Half Year 30 Jun 22 Pro forma revenue AER €m**	**Year 30 Jun 22 Pro forma revenue AER €m**
Create	**124.3**	**-**	**124.3**	**226.5**
Globalize	**141.5**	**-**	**141.5**	**266.0**
Engage	**55.3**	**-**	**55.3**	**102.1**
	321.1	**-**	**321.1**	**594.6**

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 2021 foreign exchange rates to both years, when translating studio results into the euro reporting currency.

	Half Year 30 Jun 21 Revenue AER €m	Half Year 30 Jun 21 Pre-acquisition revenue AER €m	Half Year 30 Jun 21 Like for like revenue AER €m	**Half Year 30 Jun 22 Revenue growth CER €m**	**Half Year 30 Jun 22 Revenue CER €m**	**Half Year 30 Jun 22 Organic revenue growth CER %**
Create	86.0	8.1	94.1	**21.9**	**116.0**	**23.3%**
Globalize	107.4	-	107.4	**27.6**	**135.0**	**25.7%**
Engage	45.3	2.6	47.9	**4.7**	**52.6**	**9.8%**
	238.7	10.7	249.4	**54.2**	**303.6**	**21.7%**

*The prior year comparatives have been re-classified to the current year presentation as the Directors consider this to be more meaningful.

Adjusted operating costs

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Administrative expenses	Consolidated statement of comprehensive income	**(86,152)**	(66,802)	(149,749)
Share-based payments expense	Consolidated statement of comprehensive income	**8,940**	8,454	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,284**	1,464	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	**7,469**	6,553	13,688
Depreciation - property, plant and equipment	Note 9	**8,790**	5,347	11,661
Depreciation - right of use assets	Note 9	**5,591**	4,789	10,473
Non-controlling interest	Consolidated statement of comprehensive income	**45**	33	67
Bank charges	Note 6	**(317)**	(249)	(520)
Adjusted operating costs		**(54,350)**	(40,411)	(90,014)
Adjusted operating costs as a % of revenue		**16.9%**	16.9%	17.6%

Adjusted operating profit

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Operating profit	Consolidated statement of comprehensive income	**39,453**	24,321	50,365
Share-based payments expense	Consolidated statement of comprehensive income	**8,940**	8,454	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,284**	1,464	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	**7,469**	6,553	13,688
Other income	Consolidated statement of comprehensive income	**(1,107)**	-	-
Adjusted operating profit		**56,039**	40,792	88,419
Adjusted operating profit as a % of revenue		**17.5%**	17.1%	17.3%

EBITDA

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Operating profit	Consolidated statement of comprehensive income	**39,453**	24,321	50,365
Amortisation of intangible assets	Consolidated statement of comprehensive income	**7,469**	6,553	13,688
Depreciation - property plant and equipment	Note 9	**8,790**	5,347	11,661
Depreciation - right of use assets	Note 9	**5,591**	4,789	10,473
Bank charges	Note 6	**(317)**	(249)	(520)
EBITDA		**60,986**	40,761	85,667

Adjusted EBITDA

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
EBITDA	As above	**60,986**	40,761	85,667
Share-based payments expense	Consolidated statement of comprehensive income	**8,940**	8,454	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,284**	1,464	7,972
Non-controlling interest	Consolidated statement of comprehensive income	**45**	33	67
Other income	Consolidated statement of comprehensive income	**(1,107)**	-	-
Adjusted EBITDA		**70,148**	50,712	110,100
Adjusted EBITDA as a % of revenue		**21.8%**	21.2%	21.5%

Adjusted profit before tax

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Profit before taxation	Consolidated statement of comprehensive income	**39,078**	21,928	47,983
Share-based payments expense	Consolidated statement of comprehensive income	**8,940**	8,454	16,394
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,284**	1,464	7,972
Amortisation of intangible assets	Consolidated statement of comprehensive income	**7,469**	6,553	13,688
Non-controlling interest	Consolidated statement of comprehensive income	**45**	33	67
Foreign exchange (gain) / loss	Note 6	**(2,412)**	540	(1,983)
Unwinding of discounted liabilities - deferred consideration	Note 6	**1,478**	736	1,882
Other income	Consolidated statement of comprehensive income	**(1,107)**	-	-
Adjusted profit before tax		**54,775**	39,708	86,003
Adjusted profit before tax as a % of revenue		**17.1%**	16.6%	16.8%

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 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Adjusted profit before tax	As above	**54,775**	39,708	86,003
Taxation	Consolidated statement of comprehensive income	**10,937**	6,286	13,875
Effective tax rate before tax on adjusting items	Taxation / Adjusted profit before tax	**20.0%**	15.8%	16.1%
Tax arising on bridging items to Adjusted profit before tax^		**1,092**	2,252	4,729
Adjusted taxation		**12,029**	8,538	18,604
Adjusted effective tax rate	Adjusted taxation / Adjusted profit before tax	**22.0%**	21.5%	21.6%

^Being mainly the tax impact of share-based payments expense €0.9m and amortisation of intangible assets €0.9m less foreign exchange €0.9m, with the prior period being mainly the tax impact of share-based payments expense €1.3m and amortisation of intangible assets €1.6m.

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 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Adjusted profit before tax	As above	**54,775**	39,708	86,003
Taxation	Consolidated statement of comprehensive income	**(10,937)**	(6,286)	(13,875)
Tax arising on bridging items to Adjusted profit before tax^		**(1,092)**	(2,252)	(4,729)
Adjusted profit after tax		**42,746**	31,170	67,399
Denominator (weighted average number of equity shares)	Note 7	**76,478,194**	74,980,344	75,526,296
		€ c	€ c	€ c
Adjusted earnings per share		**55.89**	41.57	89.24
Adjusted earnings per share % growth		**34.4%**	64.6%	46.5%

^Being mainly the tax impact of share-based payments expense €0.9m and amortisation of intangible assets €0.9m less foreign exchange €0.9m, with the prior period being mainly the tax impact of share-based payments expense €1.3m and amortisation of intangible assets €1.6m..

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 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Adjusted profit before tax	As above	**54,775**	39,708	86,003
Interest received	Note 6	**(102)**	(49)	(62)
Bank charges	Note 6	**317**	249	520
Interest expense	Note 6	**629**	433	1,040
Unwinding of discounted liabilities - lease liabilities	Note 6	**465**	484	985
Pre-acquisition profits of current year acquisitions		**-**	2,119	2,573
Adjusted profit before tax including pre acquisition profit excluding interest for the period		**56,084**	42,944	91,059
Rolling 12 month adjustment		**48,115**	43,589	-
Adjusted profit before tax including pre-acquisition profit and excluding net interest		**104,199**	86,533	91,059
Total equity	Consolidated statement of financial position	**530,329**	427,798	472,120
Employee defined benefit plans	Consolidated statement of financial position	**3,270**	2,989	3,088
Cumulative amortisation of intangibles assets (customer relationships)		**51,087**	32,411	40,708
Deferred and contingent consideration	Note 13	**44,027**	57,941	54,142
Loans and borrowings	Consolidated statement of financial position	**95**	165	129
Cash and cash equivalents	Consolidated statement of financial position	**(121,395)**	(84,285)	(105,710)
Capital employed		**507,413**	437,019	464,477
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	**20.5%**	19.8%	19.6%

Free cash flow

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Net cash generated by / (used in) operating activities	Consolidated statement of cash flows	**40,565**	37,236	90,545
Acquisition and integration cash outlay:				
Costs of acquisition and integration	Consolidated statement of comprehensive income	**1,284**	1,464	7,972
Fair value adjustments to contingent consideration	Consolidated statement of cash flows	**-**	-	(5,567)
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**(9,997)**	(9,378)	(19,360)
Investment in intangible assets	Consolidated statement of cash flows	**(178)**	(157)	(315)
Other income	Consolidated statement of comprehensive income	**(1,107)**	-	-
Interest received	Consolidated statement of cash flows	**102**	49	62
Interest paid	Consolidated statement of cash flows	**(878)**	(821)	(2,738)
Payments of principal on lease liabilities	Consolidated statement of cash flows	**(5,453)**	(4,551)	(9,953)
Free cash flow after tax		**24,338**	23,842	60,646
Taxation paid	Consolidated statement of cash flows	**6,181**	9,791	23,948
Free cash flow before tax		**30,519**	33,633	84,594

Adjusted free cash flow

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

Calculation		**Half Year 30 Jun 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Free cash flow before tax	As above	**30,519**	33,633	84,594
Capital expenditure in excess of depreciation:				
Acquisition of property, plant and equipment	Consolidated statement of cash flows	**9,997**	9,378	19,360
Depreciation - property, plant and equipment	Consolidated statement of cash flows	**(8,790)**	(5,347)	(11,661)
Capital expenditure in excess of depreciation		**1,207**	4,031	7,699
Adjusted free cash flow		**31,726**	37,664	92,293

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 22 €'000**	Half Year 30 Jun 21 €'000	Year 31 Dec 21 €'000
Adjusted free cash flow	As above	**31,726**	37,664	92,293
Adjusted profit before tax	As above	**54,775**	39,708	86,003
Adjusted cash conversion ratio	Free cash flow before tax and capital expenditure in excess of depreciation, as a % of Adjusted profit before tax	**57.9%**	94.9%	107.3%

Net debt

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

		Half Year	Half Year	Year
		30 Jun 22	30 Jun 21	31 Dec 21
Calculation		**€'000**	€'000	€'000
Loans and borrowings	Consolidated statement of financial position	**95**	165	129
Cash and cash equivalents	Consolidated statement of financial position	**(121,395)**	(84,285)	(105,710)
Net debt / (net cash) position		**(121,300)**	(84,120)	(105,581)