

RWS Holdings plc

Results for the year ended 30 September 2017

An outstanding year, strengthening our leading position in Life Sciences

RWS Holdings plc (“RWS”, “the Group”), one of the world’s leading language and intellectual property support services providers, today announces its final results for the year ended 30 September 2017.

Financial Highlights:

Delivered record revenues and profits

- Sales increased by 34.4% to £164.0m (2016: £122.0m)
 - 8% organic growth, excluding acquisitions and currency movements
- Adjusted operating profit* was up 35.6% to £43.4m (2016: £32.0m)
- Adjusted profit before tax* rose by 41.5% to £43.3m (2016: £30.6m)
 - Reflects 18% organic profit growth, 7% positive exchange rate movements and 16% from LUZ and CTi acquisitions net of associated loan interest costs
- Reported profit before tax was up 35.1% to £33.9m (2016: £25.1m)
- Adjusted earnings per share* of 14.3p (2016: 10.9p), an increase of 31.2%
- Basic earnings per share of 11.0p (2016: 9.0p), an increase of 22%
- Final dividend of 5.20p (2016: 4.45p); total dividend increased by 16.1% to 6.5p (2016: 5.6p), continuing an unbroken series of dividend increases since flotation in 2003
- Net debt at year end of £20.2m (2016: £1.5m), after the £74.8m cost of the acquisitions of LUZ and Article One Partners “AOP” and the £40.0m gross proceeds from the placing in February 2017.

* RWS uses adjusted results as key performance indicators as the directors believe that these provide a more consistent measure of operating performance by adjusting for acquisition related charges and significant one-off or non cash items. Adjusted operating profit is stated before interest, amortisation of intangibles, share option costs and acquisition related charges. Adjusted profit before tax is stated before amortisation of intangibles, share option costs and acquisition related charges.

Operational Highlights:

Excellent organic progress and further acquisition in Life Sciences

- Group gross margin improved by a further 96 basis points to 43.75% after significant gains in 2016

- Excellent growth recorded by patent translations activities in all geographies
- Patent search activities enjoyed their best-ever results; PatBase subscription revenues grew by 20.5%
- Acquired LUZ, a leading US-based translation company focusing exclusively on life sciences translation, in February 2017:
 - Provided Group with a full service offering in life sciences, enhanced market share and a US West Coast presence
 - Excellent seven and a half months' contribution
 - Integration with CTi to form RWS Life Sciences division completed
- Acquired Article One Partners, an IP information business with an online crowdsourced research platform based in the United States, in September 2017
- Strengthened the management team and Board with the appointments of Richard Thompson as Chief Executive Officer, Desmond Glass as Chief Financial Officer and Lara Boro as a Non-Executive Director

Earnings enhancing acquisition and placing post period end:

- Completed the acquisition, on 3 November 2017, of Moravia, a leading provider of technology-enabled localisation services to some of the largest technology companies in the world
- Strengthens RWS's global presence with an EU base and operations in the USA, Japan, China, Argentina, Hungary and Ireland
- Cash consideration of US\$320m funded by a placing of £185m of new shares and a new five-year US\$160m bank facility which included the Group's existing borrowings

Outlook:

- The Group has made a strong start in the first two months of the new financial year, in line with our expectations that we will continue to build upon the record levels established in 2017
- RWS now possesses an outstanding global platform, which will enable it to develop sales opportunities in multiple geographies, with a complete range of language management services and technology offerings

Andrew Brode, Chairman of RWS, commented:

"RWS has delivered outstanding results, establishing new records for revenues, profits and the proposed dividend.

"We are particularly encouraged by the performance of LUZ post acquisition and its successful integration with CTi to form RWS Life Sciences, our market leading life science translations and linguistic validation division.

"The post year-end acquisition of Moravia is transformational for RWS, significantly strengthening the Group's global presence and firmly establishing the Group as one of the world's leading language services providers. We look forward to working with the Moravia team as it builds upon its strong industry reputation and growth track record. We are confident that we can build on our considerably broader global platform by developing the opportunities afforded by our extended geographical reach and expanded range of language services and technology offerings."

A meeting for analysts will be held today at 9.30am at the offices of MHP, 6 Agar Street, London WC2N 4HN. Please contact MHP by emailing rhs@mhpc.com if you would like to attend.

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About RWS:

RWS is the world's leading provider of intellectual property support services (patent translations, international patent filing solutions and searches), a market leader in life sciences translations and linguistic validation, a leading localisation provider, and a high level specialist language service provider in other technical areas, providing for the diverse needs of a blue-chip multinational client base from Europe, North America and Asia. RWS is based in the UK, with offices in Europe, the USA, China, Japan, Latin America and Australia, and is listed on AIM, the London Stock Exchange regulated market (RWS.L).

For further information, please visit: www.rws.com

This announcement contains inside information, which is disclosed in accordance with the Market Abuse Regulation, which came into effect on 3 July 2016.

Forward looking statements

This announcement contains certain statements that are forward-looking statements. They appear in a number of places through this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and, unless otherwise required by applicable law, the Company undertakes no obligation to update or review these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law.

Chairman's Statement

I am pleased to report that RWS has delivered its best year ever despite a far from robust global economic backdrop. For the fourteenth consecutive year since listing on AIM in November 2003, we have achieved growth in sales, profits and dividends, testimony to the strength of our market positions in patent translations, intellectual property services and life sciences services. We have continued to invest in those resources which can deliver future expansion, and in particular we have made three

acquisitions which position the Group as one of the major global providers of language services with a focus on the specialist and growing intellectual property (IP), life sciences and technology markets.

Results and Financial Review

The Group has achieved further significant progress in underlying operational performance, reflecting exceptional growth in the core patent translations business, in the information business including PatBase, and in China. The life sciences activities were strongly enhanced by the February 2017 acquisition of LUZ, whose maiden contribution exceeded our expectations. There was a further material improvement in Group gross margins, building upon the increase delivered in 2016.

Group sales advanced by 34% to £164.0m (2016: £122.0m). Adjusted operating profit before amortisation of intangibles, share option costs and acquisition costs increased by 36% to £43.4m (2016: £32.0m).

Adjusted profit before tax, amortisation of intangibles, share option costs and acquisition expenses increased by 41.5% to £43.3m (2016: £30.6m). This drove an increase of 31% in adjusted earnings per share to 14.3p (2016: 10.9p).

Reported profit before tax was £33.9m (2016: £25.1m). This result reflected a significant increase in amortisation of intangibles largely driven by the acquisitions of CTi and LUZ, to £6.6m (2016: £4.6m). Basic earnings per share were 11.0p (2016: 9.0p) a rise of 22.2%. The Group's effective tax rate was 27.5% (2016: 22.9%), reflecting the increase in the proportion of revenues from the US.

As at 30 September 2017, shareholders' funds had reached £158.9m (2016: £108.7m). Net debt at 30 September 2017 amounted to £20.2m (2016: £1.5m) reflecting the Group's continued strong underlying cash generation before the significant cash outlays during the year including £74.8m in respect of the LUZ and AOP acquisitions, dividends of £12.6m and corporation tax payments of £9.7m. The share placing in connection with the LUZ acquisition raised gross proceeds of £40.0m.

Currency Effects and Hedging

This financial year saw no let-up in volatility in global currency markets. Political developments in Europe and North America contributed to this volatility. RWS is strongly export-centric and over 85% of its revenues are non-sterling, with its principal exposures being to the Euro and US Dollar. The Group's estimated net exposure to the Euro has been hedged at an average rate of 1 Euro = 90p for the whole of the year to 30 September 2018, a significantly more favourable rate than 2017's hedges. Exposure to the US Dollar is more balanced as the Group has dollar debt and dollar revenues.

Acquisitions of a Market Leader in Life Sciences and Cutting Edge IP Information Business

LUZ

The Group announced on 14 February 2017 that it had acquired the entire issued share capital of LUZ, Inc. for a cash consideration of US\$82.5m. This acquisition was in line with our stated strategy of complementing organic growth with selective acquisitions providing growth potential in attractive sectors and/or geographies, offering excellent margins and enhanced shareholder value.

The acquisition of LUZ established a significant Group presence on the important West Coast of the USA, and a principal building block in the formation of the new RWS Life Sciences division, following integration with CTi. LUZ specialises in medical device and regulatory translations, complementing the linguistic validation and medical specialisms of CTi.

Funding for the acquisition was via a combination of a £40.0m share placing, an increase in the US\$ five-year term loan provided by Barclays and internal cash resources.

The acquisition of LUZ has been immediately earnings enhancing. LUZ has performed exceptionally well in the seven and a half months since it has been a member of the Group, achieving revenues of £17.4m and operating profit of £5.5m during that period.

Article One Partners

At the end of September 2017, the Group acquired the entire issued share capital of Article One Partners, LLC (“AOP”) for a cash consideration of US\$8m. AOP is a cutting-edge IP information business based in the USA.

AOP’s online crowdsourcing platform links its corporate clients with over 42,000 researchers globally to provide them with access to IP intelligence that informs their litigation, licensing, patent enforcement and IP acquisition strategies. The acquisition of AOP will be highly complementary to RWS’s existing patent information business and PatBase offering. AOP’s revenues in calendar 2016 were US\$3.7m, and it is expected to be earnings neutral in RWS’s 2018 financial year, with its performance in its early days as part of the Group having been in line with expectations.

Dividend

I am pleased to announce that the Board has recommended a final dividend of 5.2p per share. The interim dividend, paid in July, was 1.3p per share, so the total payout in respect of the year will amount to 6.5p per share, an increase of 16% over 2016. This reflects the significant earnings growth during 2017 and the Board’s confidence in the Group’s continued progress. This payout proposal marks a fourteen-year unbroken record of dividend increases since flotation in November 2003.

The proposed total dividend is 1.7 times covered by basic earnings per share. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 23 February 2018 to all shareholders on the register at 26 January 2018. The shares will trade ex-dividend on 25 January 2018.

Share Option Plan

RWS announced on 4 April 2013 that the Board had approved a share option plan for executive directors and senior managers, under which options would be granted over ordinary shares representing up to a maximum of 4% of the Group’s share capital. The plan is designed to further align the interests of senior employees with shareholders and to promote the retention of the Group’s senior executives.

Options over 4% of the Group’s share capital were issued to ten participants, with a subscription price of 129.2p per share. The earliest vesting date was 3 April 2015 and the latest exercise date is 3 April 2021. A total of 1,475,275 options were exercised during the year.

Board Changes

In January 2017, we announced that Richard Thompson would be appointed as Chief Executive Officer with effect from 1 April 2017, succeeding Reinhard Ottway who had decided to retire. Richard had joined RWS in 2012 as Chief Financial Officer and, following a successful three years in that position, took on the broader role of Deputy Chief Executive Officer from December 2015 when he successfully spearheaded the acquisition and integration of CTi into the Group.

On behalf of the Board, I would like to reiterate our sincere thanks to Reinhard for his invaluable contribution to the business over the past 23 years.

In August 2017, we announced the appointment of Desmond Glass as Chief Financial Officer. He brings almost 20 years’ experience in senior finance roles across a range of sectors in UK and US

headquartered businesses with international operations. He joined us in November 2017 from GAN plc, the AIM listed internet gaming software company, where he held the role of Chief Financial Officer for nine years.

In August 2017, we also announced the appointment of Lara Boro as an Independent Non-Executive Director with effect from 20 September 2017. Lara is currently a Group Managing Director with Informa, the FTSE 100 global B2B media company, where she heads up the Life Science, TMT and Transportation businesses within the Business Intelligence division.

At the same time, the Group announced that Peter Mountford would step down from his role as Non-Executive Director with effect from 30 September 2017. Peter has served on the RWS Board since the IPO in November 2003 and has made a valuable contribution to the Group and its progress as a listed company.

Following these changes, David Shrimpton, Senior Independent Non-Executive Director and Deputy Chairman, now chairs the Audit Committee, Liz Lucas, Non-Executive Director, chairs the Remuneration Committee and Lara Boro has joined both the Audit and Remuneration Committees.

Post Year End – Acquisition of Moravia

The Group announced on 18 October 2017 that it had agreed to acquire all of the issued share capital of the Moravia IT Group of companies (“Moravia”) for a cash consideration of US\$320m. Following the receipt of US antitrust approval, the acquisition was completed on 3 November 2017.

Moravia is a leading provider of technology-enabled localisation services, headquartered in Brno in the Czech Republic with operations in the USA, Japan, China, Argentina, Hungary and Ireland. Localisation is the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies, to ensure brand consistency for companies growing globally.

Moravia’s revenues are derived from major corporates principally based on the West Coast of the USA, and include many of the largest publicly traded technology companies in the world. It has c.1,200 employees plus access to a large network of specialist linguists.

Moravia is a highly successful business with a track record of profitable and cash generative growth. Between 2014 and 2016 it achieved compound annual growth rates in revenue of 26% to US\$159m and in adjusted earnings before interest, tax, depreciation and amortisation increased of 53% CAGR to US\$27m.

The acquisition of Moravia significantly strengthens the Group’s global presence; provides excellent potential cross-selling opportunities for patent translation services; further diversifies risk by adding a third market leading business of scale; and positions the Group as one of the world’s leading providers of language management services.

The Group expects the Moravia acquisition to be immediately and highly earnings enhancing. Funding for the acquisition was via a combination of a placing of £185m of new shares, and a new five-year US\$160m syndicated bank facility, which included the Group’s existing borrowings.

We are in the process of onboarding Moravia which will be operated as an autonomous division, reporting in to the Board, replicating the successful creation of our Life Sciences division (following the acquisitions of CTi and LUZ), and providing three divisions of scale in attractive global markets, all with strong track records of profitable, cash generative growth.

People

The Group's activities are labour intensive and therefore highly reliant upon the skills, dedication and passion of all of our staff, who are required to meet the demands for excellent quality and timely delivery required by our clients. Group headcount reached 908 full time equivalents (2016:792) at the year-end. The Moravia acquisition will add approximately 1,200 new Group employees.

On behalf of the Board, I would like to place on record my thanks to all of our valued employees for their contribution throughout the year.

Corporate Social Responsibility

RWS has always sought to be a socially responsible Group, which has a positive impact on the communities it operates in. We look to employ colleagues who reflect the diversity of the Group's communities.

No discrimination is tolerated, and we endeavour to give all employees the opportunity to develop their capabilities. We provide an excellent working environment, the latest technology and appropriate training.

RWS' staff contribute generously on a monthly basis to a wide selection of local and national charities chosen by the staff, and their contributions are matched by the Group.

Current Trading and Outlook

The Group has made a strong start to the new financial year, benefiting from underlying growth in revenues and better gross margins.

The Board believes that the Group now possesses an outstanding global platform, which will enable RWS to develop sales opportunities across multiple geographies and industry verticals. We have built a significant presence in the USA and expect this to be a major driver of Group revenues and profits.

Andrew Brode

Chairman

6 December 2017

Strategic Report

Business Model

RWS is one of the world's leading language solutions providers, focusing on key market segments where the quality of its services is of critical importance to its customers. The Group has a blue chip multinational client base spanning Europe, North America and Asia that is particularly active in the medical, pharmaceutical, chemical, automotive and telecoms industries.

Following the acquisition of Moravia, the Group now operates five divisions, as follows:

- **RWS Patent Translations and Filing** is the world's premier supplier of patent translations and filing solutions and currently accounts for 60% of Group revenue. RWS differentiates itself from the competition through the quality of its translations, its high level of Intellectual Property (IP) expertise and customer service and the use of its international web based patent filing platform, 'inovia'. Uniquely the business employs over 100 full time, highly qualified translators.
- **RWS Life Sciences** focuses solely on the language service needs of the life sciences market, providing technical translations and linguistic validation to large pharmaceuticals and clinical research organisations in North America and Europe. This division includes both the CTi and LUZ businesses, which were fully integrated as one business with effect from 1st October 2017.

- **RWS Patent Information** includes a comprehensive range of patent search, retrieval and monitoring services as well as PatBase, one of the world's largest searchable commercial patent databases, access to which is sold as an annual subscription service. The results of the recently acquired AOP business will be included within this division.
- **RWS Language Solutions** (formerly "Commercial Translations") has a particular emphasis on technical translations.
- Going forward, the **Moravia** business will be operated and managed as a standalone division.

Our Strategy

RWS's objective is to increase shareholder value by growing the Group's revenue and profit before tax.

Our strategy to achieve this is focused on providing an increasing range of complementary specialist translation and language services to existing and new customers, driving organic growth. This is supplemented by selective acquisitions, providing these are complementary to our existing business and enhance shareholder value.

Organic growth is driven by:

- increases in the worldwide patent filing activities of existing and potential multinational clients
- the development of new drugs by the pharmaceutical industry
- the outsourcing by corporates, clinical research organisations, law firms and attorneys of all or part of their foreign patent search, filing, translation and linguistic validation processes
- the growing demand for language services through globalisation
- the Group's ability to attract new clients by its leading position and reputation, in an otherwise fragmented sector, with whom activity levels typically build up over time
- the Group's ability to expand in new or existing but growing geographies
- increasing market share, particularly in patent translation, life sciences, and localisation
- the retention of our client base, which includes a large share of the top 20 patent filers both in Europe and globally, many of which will use the Group for substantially all of their patent translation requirements

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

We are particularly pleased to be able to show our progress against these stated objectives with 14 straight years of sales and profit growth since flotation.

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

Operating Review

RWS Patent Translation and Filing

The Group's patent translation and filing business represented 60% of Group sales in the year and grew revenues by 23% to £97.8m (2016: £79.4m). This performance reflects earlier client wins, strong organic growth from the established client base, especially for our Eurofile offering, and further strong growth in China. The macroeconomic backdrop delivered further grounds for confidence with record numbers of new patent applications in 2016.

The Group has maintained its market leadership and it now services nine of the top 20 applicants at the World Intellectual Property Office and 12 of the top 20 applicants at the European Patent Office in 2016.

The US and European sales teams continue to develop opportunities with large international patent filers across the Group's full suite of IP services, which are expected to benefit 2018. In Asia, we are making good progress with our strategy to target Japanese and Chinese international filers for our patent translation and filing services.

China continues to attract North American and European patent filers seeking patent protection there, which has driven our headcount in China to 87 employees (2016: 70). In particular, the RWS China team is successfully developing business with local patent attorneys who require high quality patent translations into Chinese for foreign filers in China.

We continue to expand our operations from three offices: Beijing, Xian and Rihao. These centres enable the Group to expand its offering by combining lower cost centres with an operation in Beijing, enabling us to be close to our clients. We have also expanded and extended our long-term relationships with international patent bodies seeking to enlarge their collections of translated Chinese patent prosecution documents.

RWS Patent Information

The information business accounted for 5% of Group sales during the year and reported revenues up 20% to £7.7m (2016: £6.4m) reflecting strong growth in the search business (up 22%) due to client wins and a good flow of regular work from existing clients. The high margin subscription service, PatBase, also had a highly successful year with 20% growth, with the business benefitting from an increase in new subscribers, an annual price increase and favourable exchange rate movements. We have continued to invest in both the functionality of the PatBase product and its geographic coverage, as well as in a robust, state of the art infrastructure to secure the resilience of the platform, which provides 24/7 access to intellectual property data across the world.

RWS Life Sciences

The Group's Life Sciences division accounted for approximately 27% of the Group's sales in the year (£45.3m compared to £24.4m in 2016) and focuses on the language service requirements of pharmaceutical corporations and clinical research organisations.

The results of this division include a full 12 months of sales of CTi (2016: 11 months) and 7.5 months of revenue, since acquisition, from LUZ. The LUZ business has performed particularly well since acquisition, with sales of £17.4m, benefitting from growth in sales to major customers. CTi had a challenging year following the renegotiation of several key customer contracts, however, this has strengthened our relationships with customers and leaves the business well positioned for future growth.

During the year, the integration of LUZ with CTi to form an enlarged RWS Life Sciences business was successfully completed. This division now operates with one management team, one set of accounts and under one brand.

The division plans to expand its operations into the Asia Pacific region in 2018 to capitalise on the growth in the pharmaceutical market in the region and to better serve its existing customer base.

RWS Language Solutions (formerly Commercial Translations)

The RWS Language Solutions division, which accounted for 8% of Group sales and operates in the UK, Germany and Switzerland, reported an 11% growth in revenues to £13.2m (2016: £11.9m). This division manages all of the Group's non-patent and non-life science translations and it remains the division most exposed to competition.

With effect from 1st October 2017, the division was restructured and rebranded and will now operate autonomously from the patent translation and filing division, led by one management team. We believe that this change will enhance management's focus and drive improved margins through production process efficiencies over time.

This business enables RWS to offer customers a complete solution to their translation needs whilst continuing to provide good cross selling opportunities for the Patent Translation and Life Sciences divisions, whose customers use the interpreting services provided by the Language Solutions division.

Moravia

Moravia was acquired on 3 November 2017 and will become a standalone division. In the year ended 31 December 2016, Moravia achieved revenues of US\$159m and adjusted earnings before interest, tax, depreciation and amortisation of US\$27m.

It works with many of the largest publicly traded technology companies in the world to manage their complex localisation needs which includes the adaptation of content, software, websites, applications, marketing materials and audio/video for hundreds of languages and geographies, to ensure brand consistency as they grow globally.

We believe that there are multiple avenues for growth available to Moravia, over and above the underlying growth in its core markets, including:

- increasing share of wallet with its long-standing clients
- winning new clients
- growing new verticals and geographies

Market Update

Patent Filing Statistics

The World Intellectual Property Office (WIPO) has published figures showing a 7.3% worldwide increase in patent applications filed under the Patent Cooperation Treaty (PCT) in 2016. This is the fastest increase since 2011 and the seventh consecutive year of growth, with approximately 233,000 applications being received in the year. The biggest numbers of filers continue to be located in the USA but the number of applications from China is growing, driven by ZTE and Huawei, who are the top two filers globally. European patent application numbers remained at record levels with 159,353 applications in 2016.

Risk Management

The Group maintains a risk register, which is reviewed and assessed on an annual basis by the Board of Directors. The key risks to the business are errors in the provision of the Group's services, in a mismatch between currencies (especially as between the Euro and Sterling), in regulatory changes to patent translation requirements in Europe, in the emergence of new translation technologies, and in the failure to successfully integrate acquired businesses into RWS. Additionally, as with any people business delivering high quality services, the Group depends upon its ability to attract and retain well-trained management and staff. The risk of Brexit on our ability to attract staff from the European Union is, as yet, unknown.

These risks are mitigated as follows:

- Failings in service provision are most likely to arise as a result of human error. RWS was the first language services provider and, independently, the first search company to adopt ISO certification and invests in exhaustive and regularly updated procedures to minimise the risk of error. In addition, the Group carries substantial professional indemnity insurance.
- Currency risk is partly mitigated via hedging operations and matching dollar denominated debt to US revenues.
- We have in the past drawn the market's attention to the proposed European Union Patent ("the Unitary Patent") and its potential impact upon the Group's profits and the uncertainty around the timetable for its implementation. As one of the three largest patent filers in Europe, the UK would play a key role in the future administration of the Unitary Patent and has been designated as one of the three countries to host a Unitary Patent court. Given the UK's 'Brexit' vote, there remains uncertainty as to whether the UK will ratify the Unitary Patent prior to its exit from the European Union. In addition, the ratification of the Unitary Patent by the German authorities is delayed following a legal appeal to the German courts, claiming the Unitary Patent is unconstitutional under German law. As a result of this, we do not expect the Unitary Patent to come into effect until the 4th quarter of 2018 calendar year, at the earliest. When eventually implemented, the Unitary Patent, will not have the same territorial coverage as the current, long established patent application procedures, and will run in parallel. It will also have a different litigation process and fee structure. As such, we believe our major clients will be cautious in their take up of the new system and will decide upon their patenting strategies as they observe the Unitary Patent in action, assessing which of the two systems they prefer for the majority of their filings.
- In October 2015, RWS acquired Corporate Translations Inc. and the subsequent integration work focused on merging RWS's smaller existing life science business of PharmaQuest and its Medical Translation Division into the newly acquired business. This integration work was successfully completed in September 2016.

In February 2017, RWS acquired LUZ, inc, and the integration of this business with CTi was successfully completed in September 2017.

The framework developed for integrating businesses is now established and the experience gained from the above integrations will be utilised on future acquisitions.

The work on integrating AOP into RWS Patent Information is already well underway and the limited amount of integration work on Moravia has already commenced.

- The Group has always embraced new translation technologies and used it to good effect in order to maintain and improve margins, efficiency and competitiveness. Recognising the advances in machine translation technology (MT), we continue to monitor and trial MT use within the business and have integrated MT engines into the translation workflow in certain areas, where it makes commercial sense. Moravia already uses a comprehensive range of machine translation technologies as an integrated part of its services, and its extensive knowledge of these technologies can be leveraged further across the broader Group. It is clear that the market for generic translations will, over time, be further eroded by Neural Machine Translation. As a leader in quality language services, RWS will continue to differentiate by focussing on translation work in critical areas such as intellectual property and life sciences or where the nuances of localisation are highly valued by major global brands.
- In the current economic climate, we have been successful in recruiting high calibre staff to support our growth to date, however, competition for talent in key cities such as London is intensifying. In order to continue to grow our global talent base, we strive to offer stability of employment, competitive salaries, and an excellent working environment to all of our colleagues and, where appropriate, to add locations in second cities that provide access to a wider talent pool.

RWS Holdings plc

Annual Report 2017

Consolidated Statement of Comprehensive Income

For the year ended 30 September

	Note	2017 £'000	2016 £'000
Revenue	3	164,040	121,986
Cost of sales		(92,269)	(69,792)
Gross profit		71,771	52,194
Administrative expenses		(37,790)	(25,671)
Operating profit		33,981	26,523
Analysed as:			
Operating profit before charging:		43,405	32,023
Amortization of acquired intangibles		(6,574)	(4,639)
Acquisition costs		(2,850)	(855)
Share based payment costs		-	(6)
Operating profit		33,981	26,523
Finance income		973	16
Finance costs		(1,088)	(1,448)
Profit before tax		33,866	25,091
Taxation expense	4	(9,306)	(5,758)
Profit for the year		24,560	19,333
Other comprehensive income*			
(Loss)/gain on retranslation of foreign operations		(4,702)	8,479
Total other comprehensive (expense)/income		(4,702)	8,479
Total comprehensive income attributable to:			
Owners of the parent		19,858	27,812
Basic earnings per Ordinary share (pence per share)	6	11.0	9.0
Diluted earnings per Ordinary share (pence per share)	6	10.9	9.0

*Other comprehensive income includes only items that will be subsequently reclassified to Profit before tax when specific conditions are met.

RWS Holdings plc

Annual Report 2017

Consolidated Statement of Financial Position

at 30 September

Registered Company 3002645	2017 £'000	2016 £'000
Assets		
Non-current assets		
Goodwill	101,108	61,518
Intangible assets	48,787	28,421
Property, plant and equipment	18,147	17,630
Deferred tax assets	1,475	1,875
	169,517	109,444
Current assets		
Trade and other receivables	41,682	28,173
Foreign exchange derivatives	281	-
Cash and cash equivalents	20,064	27,910
	62,027	56,083
Total assets	231,544	165,527
Liabilities		
Current liabilities		
Loan	8,955	6,923
Trade and other payables	27,689	20,207
Foreign exchange derivatives	-	681
Income tax payable	2,748	4,702
Provisions	82	79
	39,474	32,592
Non-current liabilities		
Loan	31,343	22,500
Other payables	30	30
Provisions	297	379
Deferred tax liabilities	1,515	1,326
	33,185	24,235
Total liabilities	72,659	56,827
Total net assets	158,885	108,700
Equity		
Capital and reserves attributable to owners of the parent		
Share capital	2,293	2,157
Share premium	50,718	8,947
Share based payment reserve	526	875
Reverse acquisition reserve	(8,483)	(8,483)
Foreign currency reserve	5,415	10,117
Retained earnings	108,416	95,087
Total equity	158,885	108,700

RWS Holdings plc

Annual Report 2017

Consolidated Statement of Changes in Equity

for the year ended 30 September

	Share capital £'000	Share premium account £'000	Other reserves (see below) £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 1 October 2015	2,116	3,583	(5,044)	85,035	85,690
Profit for the year	-	-	-	19,333	19,333
Currency translation differences	-	-	8,479	-	8,479
Total Comprehensive income for the year ended 30 September 2016	-	-	8,479	19,333	27,812
Issue of shares	41	5,364	-	-	5,405
Deferred tax on unexercised share options	-	-	-	414	414
Dividends	-	-	-	(10,627)	(10,627)
Exercise of share options	-	-	(932)	932	-
Credit arising on share based payments	-	-	6	-	6
At 30 September 2016	2,157	8,947	2,509	95,087	108,700
Profit for the year	-	-	-	24,560	24,560
Currency translation differences	-	-	(4,702)	-	(4,702)
Total Comprehensive income for the year ended 30 September 2017	-	-	(4,702)	24,560	19,858
Issue of shares	136	41,771	-	-	41,907
Deferred tax on unexercised share options	-	-	-	394	394
Income tax on unexercised share options	-	-	-	598	598
Dividends	-	-	-	(12,572)	(12,572)
Exercise of share options	-	-	(349)	349	-
At 30 September 2017	2,293	50,718	(2,542)	108,416	158,885

	Share based payment reserve £'000	Reverse acquisition reserve £'000	Foreign currency reserve £'000	Total other reserves £'000
At 1 October 2015	1,801	(8,483)	1,638	(5,044)
Other Comprehensive gain for the year	-	-	8,479	8,479
Exercise of share options	(932)	-	-	(932)
Credit arising on share based payments	6	-	-	6
At 30 September 2016	875	(8,483)	10,117	2,509
Other Comprehensive loss for the year	-	-	(4,702)	(4,702)
Exercise of share options	(349)	-	-	(349)
At 30 September 2017	526	(8,483)	5,415	(2,542)

The nature and purpose of each reserve within equity is as follows:

- Share capital is the nominal value of the shares issued.
- Share premium is the fair value of the shares issued in excess of their nominal value.
- Share based payment reserve is the credit arising on the share based payment charges in relation to the Company's share option schemes.
- Foreign currency reserve is the cumulative gain or loss arising on retranslating the net assets of overseas operations into sterling except where the Group applies a net investment hedge.
- Reverse acquisition reserve was created when RWS Holdings plc became the legal parent of Bybrook Limited. The substance of this combination was that Bybrook Limited acquired RWS Holdings plc.
- Retained earnings are the cumulative net gains and losses, including the capital reserve from the Company balance sheet.

RWS Holdings plc

Annual Report 2017

Consolidated Statement of Cash Flows

For the year ended 30 September

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit before tax	33,866	25,091
Adjustments for:		
Depreciation of property, plant and equipment	1,171	941
Amortization of intangible assets	6,709	4,719
Share based payment costs	-	6
Finance income	(973)	(16)
Finance expense	1,088	1,448
Operating cash flow before movements	41,861	32,189
In working capital and provisions		
Increase in trade and other receivables	(8,019)	(4,249)
Increase in trade and other payables and provisions	4,244	1,652
Cash generated from operations	38,086	29,592
Income tax paid	(9,687)	(5,196)
Net cash inflow from operating activities	28,399	24,396
Cash flows from investing activities		
Interest paid	(1,009)	(369)
Interest received	11	16
Acquisition of subsidiary, net of cash acquired	(74,834)	(47,068)
Purchases of property, plant and equipment	(1,495)	(731)
Purchases on intangibles (computer software)	(728)	(169)
Net cash outflow from investing activities	(78,055)	(48,321)
Cash flows from financing activities		
Proceeds from borrowing	21,000	29,485
Repayment of borrowing	(8,159)	(4,874)
Proceeds from the issue of share capital	41,907	5,405
Dividends paid	5	(10,627)
Net cash inflow from financing activities	42,176	19,389
Net decrease in cash and cash equivalents	(7,480)	(4,536)
Cash and cash equivalents at beginning of the year	27,910	30,569
Exchange (losses)/gains on cash and cash equivalents	(366)	1,877
Cash and cash equivalents at end of the year	20,064	27,910
Free cash flow		
Analysis of free cash flow		
Net cash generated from operations	38,086	29,592
Net interest paid	(998)	(353)
Income tax paid	(9,687)	(5,196)
Purchases of property, plant and equipment	(1,495)	(731)
Purchases of intangibles (computer software)	(728)	(169)
Free cash flow	25,178	23,143

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

RWS Holdings plc

Annual Report 2017

Notes to the Consolidated Financial Statements (continued)

1. General Information

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

The Group's financial statements for the year ended 30 September 2017, from which this financial information has been extracted, and for the comparative year ended 30 September 2016, are prepared in accordance with the International Financial Reporting Standards ('IFRS') adopted for use in the EU.

The financial information shown in the announcement for the year ended 30 September 2017 and the year ended 30 September 2016 set out above does not constitute statutory accounts but is derived from those accounts. The results have been prepared using accounting policies consistent with those used in the preparation of the statutory accounts. The financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2016 have been delivered to the Registrar of Companies and those for the year ended 30 September 2017 will be delivered shortly, having been approved by the Directors on 5 December 2017. The auditors have reported on the accounts for the years ended 30 September 2016 and 30 September 2017, their reports were unqualified, did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

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

2. Significant account policies

Basis of accounting

The principle accounting policies adopted in the preparation of this preliminary announcement remain unchanged from those set out fully in the financial statements for the year ended 30 September 2016.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS on 16 January 2018.

3. Segment Information

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

	2017 £'000	2016 £'000
UK	19,924	15,510
Continental Europe	75,428	62,751
Asia, United States of America and Australia	68,688	43,725
	164,040	121,986

4. Taxation

	2017 £'000	2016 £'000
Taxation recognised in the income statement is as follows:		
Current tax expense		
Tax on profit for the current year		
- UK	5,825	4,171
- Overseas	2,708	3,325
Adjustments in respect of prior years	(208)	(32)
	8,325	7,464
Deferred tax		
Current year movement	721	(1,624)
Adjustments in respect of prior years	260	(82)
Total tax expense	9,306	5,758

	2017 £'000	2016 £'000
The table below reconciles the UK statutory tax charge to the Group's total tax charge		
Profit before taxation	33,866	25,091
Notional tax charge at UK corporation tax rate of 19.5% (2016: 20.0%)	6,604	5,018
Effects of:		
Items not deductible or not chargeable for tax purposes	1,131	(512)
Differences in overseas tax rates	1,519	1,366
Adjustments in respect of prior years	52	(114)
Total tax expense for the year	9,306	5,758

RWS Holdings plc

Annual Report 2017

Notes to the Consolidated Financial Statements (continued)

5 Dividends to shareholders	2017 pence per share	2017 £'000	2016 pence per share	2016 £'000
Final, paid 24 February 2017 (2016: paid 26 February 2016)	4.45	9,602	3.85	8,146
Interim, paid 21 July 2017 (2016: paid 22 July 2016)	1.30	2,970	1.15	2,481
	5.75	12,572	5.00	10,627

The Directors recommend a final dividend in respect of the financial year ended 30 September 2017 of 5.20 pence per Ordinary share to be paid on 23 February 2018 to shareholders who are on the register at 26 January 2018. This dividend is not reflected in these financial statements, as it does not represent a liability at 30 September 2017. The final proposed dividend will reduce shareholders' funds by an estimated £14.2 million.

6 Earnings per Ordinary Share

Basic earnings per share are based on the post-tax Group profit for the year and a weighted average number of Ordinary Shares in issue during the year calculated as follows:

	2017	2016
Weighted average number of Ordinary shares in issue for basic earnings	223,735,513	214,215,397
Dilutive impact of share options	1,539,927	1,564,458
Weighted average number of Ordinary shares for diluted earnings	225,275,440	215,779,855

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

	2017 £'000	2016 £'000	2017 Basic earnings per share pence	2016 Basic earnings per share pence	2017 Diluted earnings per share pence	2016 Diluted earnings per share pence
Profit for the year	24,560	19,333	11.0	9.0	10.9	9.0
Adjustments:						
Amortization of acquired intangibles	6,574	4,639	2.9	2.2	2.9	2.1
Acquisition costs	2,850	855	1.3	0.4	1.3	0.4
Charges for share based payments	-	6	-	-	-	-
Tax effect of adjustments	(1,972)	(1,515)	(0.9)	(0.7)	(0.9)	(0.7)
Adjusted earnings	32,012	23,318	14.3	10.9	14.2	10.8