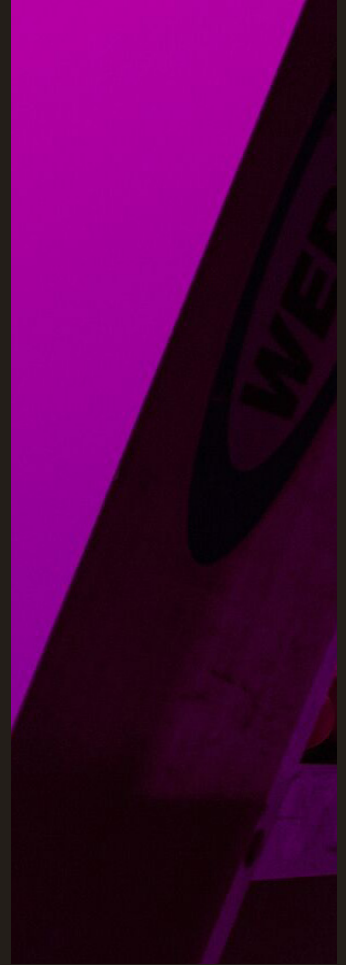


Building a world-class STEM talent partner through strategy and execution



SThree plc
RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2023
RESILIENT PERFORMANCE IN H1 DRIVEN BY OUR CONTRACT BUSINESS

SThree plc ('SThree' or the 'Group'), the only global pure-play specialist staffing business focused on roles in Science, Technology, Engineering and Mathematics (STEM), today announces its financial results for the six months ended 31 May 2023.

FINANCIAL HIGHLIGHTS

Continuing operations	H1 FY23	H1 FY22	Variance	
	Reported	Reported	Reported	Like-for-like ⁽¹⁾
Revenue (£ million)	825.2	772.2	+6.9%	+2.4%
Net fees (£ million)	208.6	203.1	+2.7%	-1.8%
Operating profit (£ million)	38.1	44.6	-14.6%	-21.9%
Operating profit conversion ratio (%)	18.3%	22.0%	-3.7% pts	-4.5% pts
Profit before tax (£ million)	38.5	44.3	-13.1%	-20.4%
Basic earnings per share (pence)	21.0	24.1	-13.0%	-20.3%
Interim dividend per share (pence)	5.0	5.0	-	-
Net cash (£ million) ⁽²⁾	72.4	48.4	+49.6%	+49.6%

HALF-YEAR HIGHLIGHTS

- A resilient performance, with Group net fees down 2% YoY⁽³⁾ on a constant currency basis, against the strong post-Covid comparative period (H1 FY22 YoY growth: 25%) and backdrop of global macro-economic conditions.
 - Across our three largest countries: Netherlands up 3%, Germany down 1% and USA down 11%, together accounting for 73% of net fees.
 - Growth seen across Technology, up 1% and Engineering, up 17%, while Life Sciences was down 21% driven by global sector trends.
- Reflecting both our strategic focus on flexible talent together with global market conditions, Contract net fees were up 3%, supported by strong extensions, robust pricing and increased contract lengths, while Permanent was down 19%.
- Contract net fees represented 81% of Group net fees (H1 FY22: 77%), with the contractor order book⁽⁴⁾ value of £190.3 million, which is flat YoY, providing good visibility for the remainder of FY23.
- Margin of 18.3% remains above FY22 levels delivering profit before tax of £38.5 million, down 20% YoY (H1 FY22: £44.3 million), due to the planned investment in the Technology Improvement Programme and headcount.
- Strong balance sheet, with £72.4 million in net cash as at 31 May 2023 (H1 FY22: £48.4 million).
- Interim dividend approved at 5.0 pence per share (H1 FY22: 5.0 pence). We intend to remain in line with our dividend policy of cover in the range of 2.5x to 3.0x for the full year.
- Technology Improvement Programme on track and on budget, with the integrated platform passing through business user testing with excellent feedback.
 - Key to delivering a differentiated proposition within the market, driving both scale and higher margins over the mid-to-long term.
 - Phased geographical roll out on track to commence in H2 FY23, onto which SThree's bespoke methodologies will be layered to systematise best practice, improve data and workflows.
- Sustainable business practice and ESG commitments demonstrated by:
 - Over 17,375 lives positively impacted in H1 FY23 (H1 FY22: 16,540).
 - SThree's renewables business up 29% versus H1 FY22 (H1 FY22: up 22% versus H1 FY21).
 - 44% carbon reduction in FY22⁽⁵⁾ in comparison to 2019, our baseline year for our SBTi net zero target.
 - 33% of women (H1 FY22: 30%) in leadership as we progress towards achieving our ambition of 50/50 representation in leadership.

⁽¹⁾ Variance compares reported H1 FY23 against reported H1 FY22 on a constant currency basis, whereby the prior financial period foreign exchange rates are applied to current and prior financial period results to remove the impact of exchange rate fluctuations.

⁽²⁾ Net cash represents cash and cash equivalents less borrowings and bank overdrafts and excluding leases.

⁽³⁾ All YoY growth rates in this announcement are expressed at constant currency.

⁽⁴⁾ The contractor order book represents value of net fees until contractual end dates, assuming all contractual hours are worked.

⁽⁵⁾ Target not measured at mid-year.

Timo Lehne, Chief Executive, commented:

“Our focus on STEM and flexible talent has delivered a resilient performance in the first half of the year against strong comparatives and macro-economic headwinds. This was underpinned by the Group’s strategic focus on Contract, which grew 3%, following robust extensions and pricing as companies commit to holding on to required skills in the face of ongoing acute shortages.

We have made excellent progress against the four pillars of our strategy to ensure the business has the right people, structures and processes to support the next phase of our growth. The rollout of our Technology Improvement Programme is on track and on budget, and will be a key enabler in us delivering a unique proposition within the market, driving both scale and higher margins over the mid-to-long term.

The macro-economic backdrop remains unpredictable in the short-term, however our established leadership position and progress with our Technology Improvement Programme leaves us more confident than ever in our growth strategy.”

Analyst conference call

SThree is hosting a webinar for analysts and investors today at 08:30 BST to present the Group’s results for the six months ended 31 May 2023. If you would like to register for the conference call, please contact SThree@almapr.co.uk.

SThree will issue its Q3 trading update on 19 September 2023.

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Notes to editors

SThree plc brings skilled people together to build the future. We are the only global specialist talent partner focused on roles in STEM, providing permanent and flexible contract talent to a diverse base of over 8,200 clients across 14 countries. Our Group’s c.2,800 staff cover the Technology, Life Sciences and Engineering sectors. SThree is part of the Industrial Services sector. We are listed on the Premium Segment of the London Stock Exchange’s Main Market, trading with ticker code STEM.

Important notice

Certain statements in this announcement are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Certain data from the announcement is sourced from unaudited internal management information and is before any exceptional items. Accordingly, undue reliance should not be placed on forward looking statements.

CHIEF EXECUTIVE OFFICER’S STATEMENT

Resilient performance and strategic progress

The Group’s resilient performance in the first half is underpinned by our strategic and well executed focus on sourcing and placing highly skilled, flexible STEM talent. With a backdrop of macro-economic headwinds and an exceptional prior-year performance, to have delivered the same scale of business well above pre-pandemic levels whilst progressing our Technology Improvement Programme in line with plan, on track and on budget, is testament to the quality and commitment of our global teams.

Our specialism in both STEM skills and new ways of working provides a differentiated proposition to clients and candidates and a unique business model aligned to long-term structural opportunities. With these complementary pillars as the Group’s bedrock, built over decades of industry experience, we have made meaningful strides during the

period in progressing our strategic initiatives to build a more effective, customer-focussed, responsible and purposeful business for long-term sustainable growth.

Unique and robust business model through uncertain and volatile markets

Through the first half of FY23, unprecedented market dynamics that commenced at the end of the previous financial year, including high inflation and rising costs of living coupled with low unemployment, drove varying impacts across our global markets and skill disciplines, resulting in an overall softer macro-economic outcome. Whilst our clients paused to assess near-term outlook and their own investment and expansion plans, which is reflected in our lower new placement activity, Contract extensions remained robust, including a 20% YoY increase in average contract length coupled with steady pricing levels. This demonstrates clients' commitment to retaining highly sought after skills in the face of supply challenges and the quality of our business model.

Overall, the Group's net fee performance of £208.6 million represents a 2% constant-currency decrease against peak prior year levels (H1 FY22: 25% growth to £203.1m). The performance was driven by our strategic focus on Contract, now representing 81% of Group net fees, which increased 3% following growth across the majority of our regions. Within this, our Employed Contractor Model (ECM), whereby contractors are directly employed by SThree for the duration of the contract, is an increasing trend and driver of our performance, representing 45% of all Contract work undertaken by the Group (H1 FY22: 43%). It continues to be the predominant model in the US, and is fast-growing across Europe, which is why the introduction of automation to ECM processes, enabling scale, is a key aspect of the Technology Improvement Programme. This was offset by our Permanent business, down 19% on a like-for-like basis, reflecting global market conditions and the continuing strategic investment into Contract in several markets.

Reported operating profit for the period was £38.1 million (H1 FY22: £44.6 million) driven by a resilient performance in net fees but offset by higher operating expenses, up 8% YoY on a reported basis, including the investment in the Technology Improvement Programme (£2.6m expensed in the period) which commenced in the second half of FY22. We continue to invest modestly in headcount, up 5% YoY, targeted towards Contract in specific niches, and the phased investment in our strategic priorities is on track. We have seen some normalisation of productivity from the exceptional levels experienced in H1 FY22 as new hires come on board, however it remains 28% above pre-pandemic levels achieved in H1 FY19, and once our Technology Improvement Programme is rolled out across the whole organisation we expect productivity to increase.

Building a world-class STEM talent partner through strategy and execution

Our vision is unchanged: to be the #1 STEM talent partner in the best STEM markets and in doing so, build a business with scale and sustainable margins. The Group has achieved considerable success toward this vision since its founding almost 40 years ago through entrepreneurial drive and execution, helping candidates realise their career ambitions and businesses succeed with access to the skills they require.

Building on this heritage, we are now focused on preparing the business with the right people, structures and processes to support its next growth evolution. The strength of our business platform, combining global scale with the flexibility of an agile business able to deploy resources as appropriate, continues to provide robust foundations from which we have advanced our disciplined and focused strategy - centred on four strategic pillars: our Places, our Platform, our People and our Position.

Following extensive assessment and planning in the prior year, I am delighted with the progress we are making against all four as we move through the execution phase. The opportunity to standardise best practice, accelerate speed to productivity and drive efficiencies through the organisation and work closer together as a global team to the benefit of all our stakeholders is huge, and we are excited about the prospects ahead.

Our Places – to be a leader in the markets we choose to serve

With an overall strategy geared toward STEM and Contract, we have a unique and targeted mix of skills and markets, which we continuously assess through a data-driven approach. The markets and disciplines we operate in are deliberate and strategic, and whilst there may be variances across these over time as was the impact from Life Science in this period offset by strong Engineering performance, we have chosen our focus areas based on where we see long-term structural opportunities. We concentrate efforts on those niches with the highest demand for STEM specialists and limited supply and where we can generate the highest returns.

We remain well-positioned in the world's top five STEM markets, representing 74% of the £112 billion global opportunity, being the USA, Germany, UK, Japan and Netherlands. In line with our market investment model, we saw scope to make our operating structure and regional presence less complex and more focussed in those markets that offer the greatest growth opportunities for our unique proposition. As part of this, we took the decision to restructure our position in some markets, such as Singapore, Ireland and Hong Kong, streamlining our focus further.

Additionally, we continued to apply pricing discipline in our markets while inflationary pressures remained, strengthening our commercial discipline to ensure contractor rates are in line with market rates. Our focus continues

to be on improving the quality of our market insights to support our decision-making.

Our Platform – create a world class operational platform through data, technology and infrastructure

We continue to make great progress with the strategic investment in our Technology Improvement Programme, where we saw significant scope to re-engineer, simplify and automate some of our most manual and complex processes. We believe these improvements, along with implementing and systemising best practice across the Group, will create a platform of operational excellence and an environment which will ultimately improve the experience and outcomes for our candidates and clients.

The programme has moved from detailed planning into execution mode, and in line with our previously announced plans, is on track with budget. During the first half, we engaged with leaders across all sections of the business at our design conference in London, following which we completed phase one development and progressed through business user testing with strong positive feedback.

We are in the final stages of preparation for market rollout starting later in FY23, commencing with the US followed by Germany, with other markets scheduled for FY24. We are excited about the future as a modern and innovative business, with the potential to leverage new technologies as appropriate and put ourselves in a unique position to win.

Our People – find, develop and retain great people

Our commitment to creating an environment to support our people whereby they can fulfil their potential is fundamental to the success of the business. Building on achievements last year, including the launch of our leadership behaviour framework, we continue to focus our efforts on initiatives that will unite our global teams closer together and ensure our culture moves forward with the evolution of the business.

Key areas of focus during the first half of the year included the continued rollout of our 'Leading with Purpose' programme, with the ambition to upskill all people managers across the Group on the four essential roles of leadership; continued assessment and refinement of our compensation framework and improved reward communication; implementation of new succession planning and career pathways processes; and employee engagement surveys which attracted 81% engagement across the Group. We also bolstered our leadership team in this area with the appointment of a new CPO, ensuring we have the support and bandwidth in place to deliver on this mission.

As we look ahead, we will continue to invest in capabilities, tools and initiatives to attract and retain the best talent, such as supporting hybrid working through our Future Office property redesign programme. In H2 we will be focusing on our Future Culture programme with global workshop events across regions to co-design the Company's values with employees.

Our Position – leveraging our position in STEM to deliver sustainable value to our candidates and clients

SThree enjoys a strong and established position in our core markets, serviced through our 'House of Brands' approach with high brand value in the niches we operate. As we look to leverage this position to grow share in our target markets, we have further enhanced our efforts in elevating our leadership position, building further on our refreshed brand identity launched in the prior year.

Key developments in the period include new thought leadership campaigns centred on the future of the world of STEM and how global megatrends, including decarbonisation and digitalisation, are shaping our future. Findings from our research conducted across our extensive STEM talent network, 'How the STEM World Evolves', provide insights on topics such as flexible working expectations, job security and pay risk appetite, job priorities and career ambitions, ensuring we remain well attuned to the evolving sentiment within our target markets.

Other areas of focus include our Elevate Careers programme, which sees us work alongside community partners, clients, internal stakeholders, and leadership, to create immediate action that will build a more diverse, inclusive, and sustainable future, for historically underrepresented STEM talent communities. We also continue to refresh and upgrade our digital assets in the markets in which we operate to drive brand awareness, as well as work towards the closer alignment of marketing and sales in our regions.

Our established position at the centre of STEM has enabled us to deliver excellent results for our clients. Examples of our work include:

- Staffing support for a global renewable construction company to build a major wind farm in the US to remove nearly 2 million tons of carbon dioxide emissions annually. SThree was able to deploy the right skilled talent quickly, thanks to extensive niche sector expertise, which made it easier for the project owner to keep momentum going even through design revisions. The wind farm became operational on schedule and as planned, demonstrating SThree's dedication to helping renewable energy companies rise above expectations and succeed through challenges.
- Delivering customer staffing solutions for one of the world's largest medical devices company. The customer required quality candidates with a quick turnaround in a highly competitive market, often with few briefing

details on the type of candidate required. The SThree team ensured they became experts across the niche roles required, including clinical, finance and accounting, regulatory and IT engineering, and, with the help of leveraging qualitative data, have been able to fill 693 positions, with 1 out of 2 interviews leading to a filled role. The longevity working with this client and SThree's position as a market expert by providing invaluable data has resulted in a trusting and long-lasting partnership.

We remain committed to continuously improving and evolving the way we interact with our candidate and client communities, ensuring we continue to serve our stakeholders as a trusted STEM talent partner.

Creating a sustainable future for everyone

SThree brings STEM professionals together to build a sustainable future. From placing engineers who build wind turbines to providing skilled people to enhance medical research, STEM talent continues to play a vital role in tackling the most complex issues facing our world.

Our commitment to our ESG goals remains strong as we navigate the complexity of the multiple challenges we now operate within. As the world continues to shift and change in response to complex global issues, we continue to remain focused on delivering value to all stakeholders. With clear targets and metrics, we hold ourselves accountable to deliver the right outcomes for everyone, mitigating social and climate risks, delivering social value and contributing to business performance.

We remain focused on addressing the STEM skills gap through diversifying the talent pipeline and contributing to social mobility and equity in the STEM industries we partner with. To demonstrate our commitment to building a diverse STEM talent pipeline we made a donation of £86,000 to Women Who Code and have delivered three events with them in H1 FY23 to support women to progress their career in tech. Our Elevate Careers programme provided developing, coaching and mentoring support to 1,853 existing and aspiring STEM professionals in the first half of FY23.

In our FY22 Impact Report we announced our Science Based Target initiative (SBTi) validated near-term and long-term targets to achieve net zero before 2050. In FY23 we continue to make progress to deliver a robust transition plan for the business which will be detailed in our Annual Report and Accounts for FY23.

Further details of our net zero targets and wider ESG commitments can be found in our Impact Report on our website. Below details the progress we have made against our stated ESG targets during the first half of the current year (2019 baseline year):

	To positively impact 150,000 lives by 2024	To double the share of our global clean energy business by 2024	To reduce our scope 1 and 2 emissions by 77% and reduce scope 3 emissions by 50% by 2030	To increase representation of women in leadership to 50/50
Progress	106,116 lives positively impacted by SThree since 1 Dec 2019.	88% growth in clean energy business as of 2022, tracking ahead of expectations.	-44% reduction in scope 1, 2 and 3 CO ₂ emissions* in 2022 from 2019 (baseline)	33% women currently in leadership positions
FY23 half year activities	17,375 lives positively impacted: 7,897 accessed decent work through SThree placements 414 people at risk of unemployment accessed our Career Support Initiatives. 1,853 existing and aspiring STEM professionals accessed Elevate Careers; a STEM skills development programme to build a diverse talent pipeline	29% growth in our renewables business net fees in H1 FY23 YoY. 132% growth in our renewable business net fees since 2019 (baseline)	Continued to develop our transition plan with key actions to green our office portfolio, minimise emissions from travel and engage suppliers in scope 3 reductions.	Launched our talent accelerator programme, Identify, with the third group of aspiring women leaders.
Alignment to strategic pillars	Our People Our Position	Our Places	Our Platform	Our People
Relevant UN Sustainable Development Goals	SDG 4. Quality Education SDG 8. Decent Work and economic growth SDG 10. Reduced inequalities	SDG 7. Affordable and clean energy SDG 13. Climate action SDG 17. Partnerships for the goals	SDG 13. Climate action	SDG 10. Reduced inequalities

* Full SECR reporting is available in our FY22 Annual Report and Accounts.

Current trading and outlook: poised for the medium-term opportunity

We look ahead to our mid-term opportunities with optimism and believe our focus and strategy is right for long-term success. Our specialism in scarce STEM talent and new ways of working provides a differentiated proposition to clients and candidates and a unique business model aligned to long-term structural drivers.

Macro conditions continue to be varied as we enter the second half, however contract extensions remain strong as our customers seek to retain scarce skills to ensure they do not jeopardise future growth prospects. Furthermore, in June we saw a modest improvement in new placement activity, which itself was slightly ahead of the second quarter average. It is too early to know whether this is an improving trend, but we will continue to monitor and respond to activity levels over the coming months.

We are trading in line with market expectations for the full year, supported by strong contract extensions and robust pricing, leading to continued resilience of our contractor order book. We expect to deliver sector leading operating margins, notwithstanding investment in both infrastructure and strategic headcount to ensure we remain well positioned for when market conditions improve.

GROUP OPERATIONAL REVIEW

Overview

The Group has delivered a resilient net fee performance in the first half of FY23 with net fees down 2% YoY against the strong post-Covid peak performance in H1 of FY22.

Our Contract business, which is our main strategic area, grew net fees by 3% YoY and now represents 81% of the Group net fees. The contractor order book is flat YoY as strong extensions performance has continued to offset the new placement performance in a more challenging macro-economic environment. Permanent net fees were down 19% YoY reflecting both global market conditions and tough comparatives, particularly in Life Sciences, together with our targeted investment towards Contract in specific markets.

From a skills perspective, most notable during the first half has been the impact of reduced expenditure in the Global Life Sciences sector, which has affected the performance of most markets, with the greatest exposure and impact on our USA business. As a result, we saw a decline in Life Sciences net fees of 21% across the Group, though this was mostly offset by increases in Technology, up 1%, and Engineering, up 17%.

Overall, Group reported operating profit was £38.1 million (H1 FY22: £44.6 million), down 22% YoY as productivity levels have normalised since H1 FY22, with average headcount up 5% YoY, and we commenced the investment in our Technology Improvement Programme from the second half of last year.

The 5% increase in our average headcount reflects a 9% increase in Contract headcount, partly offset by a 10% decline in Permanent headcount as we continue to invest strategically in specific markets. Period-end headcount declined 9% compared to the end of FY22, including the reductions related to the restructure of our Singapore, Hong Kong and Ireland businesses. Excluding these countries, period-end headcount declined by 7%.

Update and evolution of 2024 ambitions

In line with our 2024 ambitions announced at our Capital Markets Day in 2019 to deliver growth and value for our Group and all stakeholders, we continue to make good progress in the period in our journey to become the number one STEM talent provider in the best global STEM markets. Our key achievements so far in this financial period included:

- We remain ahead of our peer group in all core geographies on the net fee growth basis vs FY19.
- Achieved an operating profit conversion ratio of 18.3% in H1 FY23. Our underlying conversion ratio, both before and after costs associated with the Technology Improvement Programme, continues to considerably exceed our pre-Covid performance. We remain committed to our ambition of achieving margins at 21% or higher in the mid to long term, however we expect current macro-economic headwinds to dampen margin progression in the short term.
- Reduced our carbon emissions by 44% versus 2019.
- Group-wide eNPS was 47 at H1 FY23; supported by DE&I networks and the launch of the third cohort of the Identify leader programme, our eNPS remains within the top 25% of a Professional Services industry.
- In the fight against climate change, we launched several actions to educate and influence sustainable behaviours across the business to ensure we make progress towards our SBTi net zero targets which were announced in April 2023. We also grew our renewables business by 29% YoY, to represent 9% of Group net fees at H1 FY23.
- Positively impacted over 17,375 lives through delivering recruitment solutions and community programmes in H1 FY23 alone.

Group net fees	% of Group	H1 FY23 (£'000)	H1 FY22 (£'000)	Variance	
				Reported	Like-for-like ⁽¹⁾
Geographical mix⁽²⁾					
DACH	36%	74,476	70,489	+6%	-
USA	23%	49,364	51,683	-4%	-11%
Netherlands (including Spain)	19%	39,381	35,884	+10%	+5%
Rest of Europe	17%	35,178	35,377	-1%	-2%
Middle East & Asia	5%	10,192	9,620	6%	+6%
Total	100%	208,591	203,053	+3%	-2%
Skills mix					
Technology	49%	101,712	96,339	+6%	+1%
Engineering	24%	51,223	41,679	+23%	+17%
Life Sciences	19%	38,958	46,293	-16%	-21%
Other	8%	16,698	18,742	-11%	-14%
Total	100%	208,591	203,053	+3%	-2%
Service mix					
Contract	81%	169,982	156,944	+8%	+3%
Permanent	19%	38,609	46,109	-16%	-19%
Total	100%	208,591	203,053	+3%	-2%

(1) All YoY growth rates in this announcement are expressed at constant currency.

(2) In Q1 FY23, SThree has changed its reporting structure. The new groupings are: DACH, Netherlands (including Spain, which is managed from the Netherlands), Rest of Europe, USA and Middle East & Asia.

Business mix

The Group is well diversified, both geographically and by the skills we place across multiple sectors. Our top three countries represent 73% of Group net fees, with Germany accounting for 31%, USA 23% and the Netherlands 18% of Group net fees.

Our Contract business grew 3% YoY on a like-for-like basis, and now represents 81% of Group Net Fees. Our Permanent business, which now represents 19% of net fees, saw net fees decline 19% in the period, reflecting market conditions across all regions, together with the strategic transition from Permanent to Contract in some of our key markets.

Technology, which represents 49% of net fees grew 1% YoY, while Engineering (24% of net fees) grew 17%. These were offset by the decline in Life Sciences of 21% due to reduced global expenditure in that sector. Life Sciences now represents 19% of Group net fees.

Operational review by reporting segment

DACH (36% of Group net fees)

Performance highlights	H1 FY23	H1 FY22	Variance	
			Reported	Like-for-like
Revenue (£'000)	264,512	258,144	+2%	-4%
Net fees (£'000)	74,476	70,489	+6%	-
Average total headcount (FTE)	907	848	+7%	n/a
NPS	58	57	+1pts	n/a

DACH is our largest region comprising businesses in Austria, Germany and Switzerland, with Germany accounting for 88% of net fees.

The region saw net fees remain flat YoY, with our Technology business up 2% and Engineering business up 16% YoY. Technology was driven by higher demand for roles within Cyber Security and Software Development, while Engineering saw demand for Construction Management.

DACH delivered growth in Contract net fees of 1% YoY, which was broadly offset by Permanent net fees, which were down 3%.

Germany's net fees were down 1% YoY driven by Life Sciences which was down 22% due to market conditions across

that sector. This performance was mostly offset by Technology, up 2% YoY, and Engineering up 13%. Switzerland saw net fees grow 10% and Austria net fees remained flat. Average headcount was up 7% YoY, with period-end headcount up 4%.

USA (23% of Group net fees)

Performance highlights	H1 FY23	H1 FY22	Variance	
			Reported	Like-for-like
Revenue (£'000)	164,019	155,132	+6%	-2%
Net fees (£'000)	49,364	51,683	-4%	-11%
Average total headcount (FTE)	509	522	-3%	n/a
NPS	51	55	-4pts	n/a

The USA is the world's largest specialist STEM staffing market and our second-largest region on a net fee basis. It remains a key area of focus for the Group, and we will continue to invest in the region as we align our resources with the best long-term opportunities.

USA saw net fees decline 11% YoY. Contract, which represents 86% of net fees, was down 2% YoY driven by Life Sciences, down 16% YoY in line with the market conditions for that sector. This was partially offset by Engineering, up 23%, with increased demand for roles within Project Management and Electrical Engineering.

Permanent, which represents 14% of net fees, declined 43% driven by Life Sciences and due to the accelerated transition towards Contract in FY22.

Average headcount was down 3% YoY, with period-end headcount down 14%.

Netherlands (including Spain) (19% of Group net fees)

Performance highlights	H1 FY23	H1 FY22	Variance	
			Reported	Like-for-like
Revenue (£'000)	177,497	150,711	+18%	+13%
Net fees (£'000)	39,381	35,884	+10%	+5%
Average total headcount (FTE)	436	365	+19%	n/a
NPS	36	39	-3pts	n/a

Net fees for the region were up 5% YoY, with Contract up 7% and Permanent down 19%.

The Netherlands, our largest country in the region which accounts for 95% of net fees, saw net fees increase 3% YoY. Notable performances were delivered in Engineering, up 4% YoY, with increased demand for Process Engineers, Electrical Engineers and Health and Safety advisors, as well as Technology up 3% YoY, with higher demand for Project Managers, ERP Consultants, Data Engineers and Data Sciences roles.

Spain saw strong growth of 63% in the first half driven by Technology.

Average headcount for the region was up 19% YoY, with period-end headcount up 11%.

Rest of Europe (17% of Group net fees)

Performance highlights	H1 FY23	H1 FY22	Variance	
			Reported	Like-for-like
Revenue (£'000)	197,221	188,767	+4%	+3%
Net fees (£'000)	35,178	35,377	-1%	-2%
Average total headcount (FTE)	542	520	+4%	n/a
NPS	53	55	-2pts	n/a

Rest of Europe comprises of businesses in the UK, Belgium, France, Luxembourg and Ireland.

Net fees saw a decline of 2% YoY. Contract, which represents 94% of net fees for the region, grew 5%, with Permanent declining 48%, driven by both market conditions and the transition towards Contract, particularly in the UK.

The UK, our largest country in the region, saw net fees remain flat, driven by Engineering up 3%, as demand increased for roles within Project and Construction Management, Electrical and Mechanical Engineering.

Belgium saw net fees up 15%, France down 8% and Luxembourg down 35%.

Average headcount for the region was up 4% YoY, with period-end headcount down 10%.

Middle East & Asia (5% of Group net fees)

Performance highlights	H1 FY23	H1 FY22	Variance	
			Reported	Like-for-like
Revenue (£'000)	21,962	19,495	+13%	+10%
Net fees (£'000)	10,192	9,620	+6%	+6%
Average total headcount (FTE)	189	200	-6%	n/a
NPS	24	29	-5pts	n/a

Our Middle East & Asia business principally includes Japan, UAE and Singapore, and accounts for 5% of Group net fees.

Net fees were up 6% YoY, with Contract up 52% and Permanent down 10%. Japan, which represents 43% of the region, was up 2% YoY driven by Engineering due to demand for roles within Renewable Energy.

Strong performance in UAE with net fees up 46% driven by Engineering.

Average headcount was down 6% YoY, with period-end headcount down 6%.

CHIEF FINANCIAL OFFICER'S REVIEW

The Group has delivered a resilient net fee performance in the first half of FY23, despite the ongoing macro-economic uncertainties and strong prior year comparatives. The performance is supported by the strength of our well-established strategy, focused on STEM and flexible talent.

Income statement

On a reported basis revenue for the half year was up 7%¹ to £825.2 million (H1 FY22: reported £772.2 million) while net fees increased by 3% to £208.6 million (H1 FY22: £203.1 million). The strengthening of our two main trading currencies, the US Dollar and the Euro, against Sterling during the year, increased the total net fees by £9.1 million. Therefore, when presented on a constant currency basis, the net fees decreased by 2% YoY.

Net fee growth in our Contract business was driven by continued demand from clients for candidates with STEM skills across most of regions, with net fee growth of 3%. This was led by the Netherlands region, which was up 7%, Rest of Europe, up 5%, DACH, up 1%, Middle East & Asia, up 52%, while USA was down 2%, primarily due to its exposure to Life Sciences. The majority of the growth was seen in Engineering, which was up 20% YoY, and Technology, up 3%, with Life Sciences down 14% reflecting global sector conditions. Our ECM proposition also continued to deliver encouraging performance and was up by 6% YoY. Group Contract net fees as a percentage of Contract revenue² remained flat YoY at 21.7% (H1 FY22: 21.7%), and at the end of the year Contract represented 81% of the Group net fees in the year (H1 FY22: 77%).

The contractor order book³ remained flat YoY and continues to provide good visibility into the remainder of FY23.

Permanent net fee income was down 19% reflecting market conditions across all regions, together with the planned focus towards Contract, particularly in the USA and UK. Our largest Permanent market, DACH, reported a decline of 3%. Netherlands region was down 19%, Rest of Europe down 48%, USA down 43%, and Middle East & Asia was down by 10%. Permanent average fee increased by 5% YoY in the period, with average permanent fee margin (net fees as a percentage of salary) now at 26.6% (H1 FY22: 25.1%).

Operating expenses increased by 8% YoY on a reported basis, amounting to £170.5 million (H1 FY22: £158.4 million), resulting from increased personnel costs as average headcount grew 5% compared to H1 FY22, together with £2.6 million expensed investment in the Technology Improvement Programme which commenced in H2 FY22.

The reported operating profit was £38.1 million (H1 FY22: £44.6 million), down 22% YoY in constant currency while the Group operating profit conversion ratio reduced as expected, to 18.3% (H1 FY22: 22%), as productivity normalised from the exceptional levels achieved in H1 FY22 and we commenced the investment in our Technology Improvement Programme. Operating profit conversion ratio would have been 19.5% were it not for amount expensed on the programme as noted above. The net currency movements versus Sterling were favourable to the operating profit, providing a £3.3 million benefit.

Net finance income

The Group received net finance income of £0.4 million as compared to net finance costs of £0.4 million in the previous year. This was driven by significantly higher interest rates applied to the Group's bank deposits.

¹ Unless specifically stated, all growth rates in revenue and net fees are expressed in constant currency.

² The Group has identified and defined certain alternative performance measures (APMs). These are the key measures the Directors use to assess the SThree's underlying operational and financial performance. The APMs are fully explained and reconciled to IFRS line items in note 16 to the Consolidated Financial Statements.

³ The contractor order book represents value of net fees until contractual end dates, assuming all contractual hours are worked.

Income tax

The total tax charge for the half year on the Group's profit before tax was £10.8 million (H1 FY22: £12.3 million), representing an estimated full-year effective tax rate (ETR) of 28.1% (H1 FY22: 27.8%). The tax rate is higher in the current period mainly due to the increase in the UK tax rate to 25% from 1 April 2023. The Group's ETR varies depending on the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIPs and other one-off tax items.

Overall, the reported profit before tax was £38.5 million, down 20% YoY in constant currency and down 13% on a reported basis (H1 FY22: £44.3 million).

The reported profit after tax was £27.7 million, down 21% YoY in constant currency and down 13% on a reported basis (H1 FY22: £32.0 million).

Earnings per share (EPS)

The reported EPS was 21.0 pence (H1 FY22: 24.1 pence). The YoY movement is attributable to the slowdown in trading performance, overall stable Group ETR, and partially offset by a decrease of 0.7 million in the weighted average number of shares. Reported diluted EPS was 20.4 pence (H1 FY22: 23.4 pence). Share dilution mainly results from various share options in place and expected future settlement of certain tracker shares. The dilutive effect on EPS from tracker shares will vary in future periods, depending on the profitability of the underlying tracker businesses and the settlement of vested arrangements.

Dividends

The Board monitors the appropriate level of dividend, taking into account achieved and expected trading of the Group, together with its balance sheet position. The Board aims to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of 2.5x to 3.0x through the cycle.

The Board proposes to pay an interim dividend of 5.0 pence (H1 FY22: 5.0 pence), amounting to c.£6.6 million in total. This will be paid on 8 December 2023 to shareholders on record on 10 November 2023. The dividend will be paid from distributable reserves.

Liquidity management

In H1 FY23, cash generated from operations was £55.1 million (H1 FY22: £24.2 million). The increase was primarily driven by £39.1 million release in working capital, as the rate of new placement activity slowed but was partially offset by Contract extensions, partially offset by £8.3 million reduction in EBITDA. Income tax paid decreased to £10.2 million (H1 FY22: £15.1 million) in line with the trading performance across our markets.

Capital expenditure increased to £3.0 million (H1 FY22: £1.9 million), primarily driven by the Group-wide digital transformation programme and related IT hardware costs. The capital expenditure also included costs of leasehold improvements and fitting out certain of our office portfolio.

The Group paid £7.7 million in rent (principal and interest portion) (H1 FY22: £7.0 million). Net interest income (excluding interest on lease payments) was £0.6 million (H1 FY22: net interest cost £0.1 million) during the period. The Group spent £10.0 million (H1 FY22: £4.7 million) on the purchase of its own shares to satisfy existing employee share incentive schemes. Cash inflows of £0.1 million (H1 FY22: £0.3 million) were generated from Save As You Earn employee scheme.

Dividends paid to equity holders were £6.6 million (H1 FY22: £4.0 million). The final dividend of £13.9 million for the year ended 30 November 2022 was paid subsequently to the half year, on 9 June 2023.

Foreign exchange had a positive impact of £2.6 million (H1 FY22: negative impact of £0.8 million).

Overall, the underlying cash performance in the first half of FY23 was very strong, reflecting primarily improved working capital partially offset by buyback spend. We started the year with net cash of £65.4 million and closed the period with net cash of £72.4 million.

Accessible funding

The Group's capital allocation priorities are financed mainly by retained earnings, cash generated from operations, and a £50.0 million Revolving Credit Facility (RCF). This has remained undrawn during the period, but any funds borrowed under the RCF would bear a minimum annual interest rate of 1.2% above the benchmark Sterling Overnight Index Average (SONIA). The Group also maintains a £30.0 million accordion facility as well as a substantial working capital position reflecting net cash due to SThree for placements already undertaken.

During the current period, the Group did not draw down any of the above credit facilities (H1 FY22: £nil).

On 31 May 2022, the Group had total accessible liquidity of £125.6 million, made up of £72.4 million in net cash (H1 FY22: £48.4 million), the £50.0 million RCF (undrawn at the half year), and a £5.0 million overdraft facility of which £1.8 million was in use at the half-year end.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is a key part of our business, values and culture. Effective risk management enables us to both protect the value of our business and to proactively manage threats to the delivery of strategic and operational objectives, while enhancing the realisation of opportunities.

Our approach to risk management is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business/macro-economic conditions.

During FY23, there has been continued focus on the principal risks with oversight of activities and controls to further mitigate these risks. Key risk indicators, introduced in FY22, are monitored to ensure any negative changes are proactively addressed. There continues to be positive progress in risk mitigation activities. We continue to monitor the ongoing broader macro-economic situation and assess the impact that this could have on principal risks for the group, for example:

- Commercial relationship risk due to potential for increase in payment terms and bad debt;
- People retention risk as employees look for roles offering higher salaries in reaction to cost of living;
- Contractual liability risk as clients look to transfer financial exposures to third parties.

Climate change remains an emerging risk for the Group, with an updated assessment of materiality being undertaken during FY23. Where climate change impacts or is impacted by a principal risk, these considerations have been embedded into that risk, ensuring continuous discussion and monitoring.

The Board has recently agreed that artificial intelligence, as well as being an opportunity, should be monitored as an emerging risk for the Group as the risk has the potential to impact across different areas of the business, strategy and current principal risks. A full assessment of this emerging risk will be completed during FY23 and reported as part of full year risk review.

Other than the above, the principal risks and uncertainties that the Company expects to be exposed to in the second half of FY23 are substantially the same as those described in the 'Risk management' section of STThree plc Annual Report and Accounts FY22 (pages 106-113). Those principal risks which have changed from FY22 year-end are detailed below. All other principal risks for the Group: Future growth; Contractual liability; People; Talent acquisition and retention; Data privacy; Cyber security; Regulatory compliance, and Health and safety remain unchanged but with positive movement on mitigating activities.

Risk	Mitigation	Change from FY22 year-end
<p>Macro-economic environment</p> <p>Rapid changes in the macro-economic environment could result in STThree suffering financial exposure and/or loss.</p>	<ul style="list-style-type: none"> • Strategically diversified business - geographically, by sector and by product. • Strategic focus on STEM markets which are less sensitive to economic cycles. • Strategic focus on Contract market which is more resilient in uncertain economic conditions than Permanent and provides a counter-cyclical cash hedge working capital release with each contract finisher. • Regular cycle of review of Country business performance, targets and macro-economic risks 	<p>Increase in net risk due to external environment.</p>
<p>Strategic change management</p> <p>The inability to effectively manage and implement strategic change, resulting in poorly implemented projects, could lead to wasted resource and/or adverse financial impact and ability to execute strategy impacting future growth or the Group.</p>	<ul style="list-style-type: none"> • Priority of investment decisions and approval of business cases through project governance structures. • Full Executive Committee and Board oversight of portfolio dashboard showing Red, Amber, Green (RAG) status, timeline, spend and escalation of risks and issues. 	<p>Decrease in net risk due to enhanced project oversight structure and governance to ensure continued visibility and discussion of strategic projects.</p>

<p>Commercial relationship</p> <p>SThree may suffer financial loss through bad debt write off or working capital impairment due to inappropriate credit terms agreed when entering into commercial relationship/s with either direct customers or intermediaries if they are unable to fulfil their obligation.</p>	<ul style="list-style-type: none"> • Robust payment terms oversight through a credit risk dashboard. • Regular review of high-risk customers with risk mitigation steps being managed by our credit risk analysts. • Contact review and payment terms escalation process. • Workshops with senior business leaders to embed processes and responsibilities. 	<p>Increase in gross risk due external macro-economic environment.</p>
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The materialisation of our principal risks, either separately or in combination, could have an adverse effect on the implementation of our strategic priorities, our business model, financial performance, cash flows, liquidity, shareholder value and other key stakeholders.

Please refer to our FY22 Annual Report and Accounts for further detail on our risks, available at www.sthree.com/en/investors/financial-results/.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- the Condensed Consolidated Interim Financial Statements of the Group have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole for the period ended 31 May 2023 as required by the Disclosure Guidance and Transparency Rules sourcebook of the UK FCA (DTR) 4.2.4R; and
- the half-year results announcement includes a fair review of the significant events during the six months ended 31 May 2023 and a description of the principal risks and uncertainties for the remaining six months of the year ending 30 November 2023;
- there have been no significant individual related party transactions during the first six months of the financial year; and
- there have been no significant changes in the Group's related party relationships from those reported in the FY22 Annual Report and Accounts for SThree plc and its subsidiaries for the year ended 30 November 2022.

The Directors of SThree plc are listed in the SThree plc Annual Report and Accounts for 30 November 2022. A list of the current Directors is maintained on the Group's website www.sthree.com.

The Group's Condensed Consolidated Interim Financial Statements, and related notes, were approved by the Board and authorised for issue on 24 July 2023 and were signed on its behalf by:

Timo Lehne
Chief Executive Officer

Andrew Beach
Chief Financial Officer

24 July 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 May 2023

£'000	Note	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Continuing operations			
Revenue	2	825,211	772,249
Cost of sales		(616,620)	(569,196)
Net fees	2	208,591	203,053
Administrative expenses	3	(168,232)	(157,290)
Impairment losses on financial assets		(2,238)	(1,118)
Operating profit		38,121	44,645
Finance income		691	15
Finance costs		(321)	(366)
Profit before income tax		38,491	44,294
Income tax expense	4	(10,816)	(12,314)
Profit for the period attributable to the owners of the Company		27,675	31,980
Earnings per share attributable to shareholders pence			
Total Group			
Basic	5	21.0	24.1
Diluted	5	20.4	23.4

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 May 2023

£'000	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Profit for the period	27,675	31,980
Other comprehensive (loss)/income:		
<i>Items that may be subsequently reclassified to income statement</i>		
Exchange differences on retranslation of foreign operations	(2,117)	3,018
Other comprehensive (loss)/income for the period (net of tax)	(2,117)	3,018
Total comprehensive income for the period attributable to owners of the Company	25,558	34,998

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 May 2023

£'000	Note	(Unaudited) As at 31 May 2023	(Audited) As at 30 November 2022
ASSETS			
Non-current assets			
Property, plant and equipment		30,593	35,249
Intangible assets	6	2,693	846
Deferred tax assets		4,955	4,616
Total non-current assets		38,241	40,711
Current assets			
Trade and other receivables		324,216	363,884
Cash and cash equivalents	7	74,186	65,809
Total current assets		398,402	429,693
Total assets		436,643	470,404
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8	1,346	1,345
Share premium	8	38,354	38,239
Other reserves		(8,337)	(802)
Retained earnings		166,513	161,610
Total equity		197,876	200,392
Current liabilities			
Bank overdraft	7, 10	1,775	423
Trade and other payables		191,374	216,842
Lease liabilities	9	9,463	11,102
Provisions		6,080	7,871
Current tax liabilities		8,123	7,391
Total current liabilities		216,815	243,629
Non-current liabilities			
Lease liabilities	9	19,388	22,600
Provisions		2,564	3,783
Total non-current liabilities		21,952	26,383
Total liabilities		238,767	270,012
Total equity and liabilities		436,643	470,404

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 May 2023

£'000	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Treasury reserve	Currency translation reserve	Fair value reserve of equity investments	Retained earnings	Total equity attributable to owners of the Company
Balance as at 1 December 2021 (audited)		1,337	35,466	172	878	(3,367)	(2,354)	(12)	126,033	158,153
Profit for the period		-	-	-	-	-	-	-	31,980	31,980
Other comprehensive loss for the period		-	-	-	-	-	3,018	-	-	3,018
Total comprehensive income for the period		-	-	-	-	-	3,018	-	31,980	34,998
Dividends paid to equity holders	11	-	-	-	-	-	-	-	(3,965)	(3,965)
Dividends payable to equity holders	11	-	-	-	-	-	-	-	(10,636)	(10,636)
Distributions to tracker shareholders		-	-	-	-	-	-	-	(7)	(7)
Settlement of vested tracker shares		-	-	-	-	-	-	-	183	183
Settlement of share-based payments	8	1	293	-	-	2,850	-	-	(2,850)	294
Purchase of shares by Employee Benefit Trust	8	-	-	-	-	(4,718)	-	-	-	(4,718)
Credit to equity for equity-settled share-based payments		-	-	-	-	-	-	-	2,236	2,236
Total movements in equity		1	293	-	-	(1,868)	3,018	-	16,941	18,385
Balance as at 31 May 2022 (unaudited)		1,338	35,759	172	878	(5,235)	664	(12)	142,974	176,538
Balance as at 1 December 2022 (audited)		1,345	38,239	172	878	(6,581)	4,742	(13)	161,610	200,392
Profit for the period		-	-	-	-	-	-	-	27,675	27,675
Other comprehensive loss for the period		-	-	-	-	-	(2,117)	-	-	(2,117)
Total comprehensive income for the period		-	-	-	-	-	(2,117)	-	27,675	25,558
Dividends paid to equity holders	11	-	-	-	-	-	-	-	(20,542)	(20,542)
Settlement of vested tracker shares		-	-	-	-	30	-	-	(15)	15
Settlement of share-based payments	8	1	115	-	-	4,552	-	-	(4,767)	(99)
Purchase of shares by Employee Benefit Trust	8	-	-	-	-	(10,000)	-	-	-	(10,000)
Credit to equity for equity-settled share-based payments		-	-	-	-	-	-	-	2,552	2,552
Total movements in equity		1	115	-	-	(5,418)	(2,117)	-	4,903	(2,516)
Balance as at 31 May 2023 (unaudited)		1,346	38,354	172	878	(11,999)	2,625	(13)	166,513	197,876

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 May 2023

£'000	Note	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Cash flows from operating activities			
Profit before tax		38,491	44,294
Adjustments for:			
Depreciation and amortisation charge		8,001	8,468
Loss on disposal of property, plant and equipment		112	11
Impairment of intangible assets		-	499
Loss on disposal of intangible assets		-	1,206
Finance income		(691)	(15)
Finance costs		321	366
Non-cash charge for share-based payments		2,552	2,236
Operating cash flows before changes in working capital and provisions		48,786	57,065
Decrease/(increase) in receivables		28,622	(37,514)
(Decrease)/increase in payables		(19,603)	3,503
(Decrease)/increase in provisions		(2,727)	1,184
Cash generated from operations		55,078	24,238
Interest received		691	15
Income tax paid - net		(10,230)	(15,129)
Net cash generated from operating activities		45,539	9,124
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,024)	(1,873)
Purchase of intangible assets	6	(1,993)	-
Net cash used in investing activities		(3,017)	(1,873)
Cash flows from financing activities			
Interest paid		(321)	(366)
Lease principal payments	9	(7,398)	(6,722)
Proceeds from exercise of share options	8	116	294
Purchase of shares by Employee Benefit Trust	8	(10,000)	(4,718)
Dividends paid to equity holders	11	(20,542)	(3,965)
Net cash used in financing activities		(38,145)	(15,477)
Net increase/(decrease) in cash and cash equivalents		4,377	(8,226)
Cash and cash equivalents at beginning of the period		65,386	57,502
Exchange gains/(losses) relating to cash and cash equivalents		2,648	(873)
Net cash and cash equivalents at end of the period		72,411	48,403

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

for the six months ended 31 May 2023

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

SThree plc is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom and registered in England and Wales. Its registered office is 1st Floor, 75 King William Street, London, EC4N 7BE.

These Condensed Consolidated Financial Statements (Interim Financial Report) as at and for the six months ended 31 May 2023 comprise SThree plc (the Company) and its subsidiaries (referred to as the Group).

The Group's Interim Financial Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted for use in the United Kingdom (UK), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. It should be read in conjunction with the SThree plc' Annual Report and Accounts FY22, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Interim Financial Report does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 November 2022 has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Interim Financial Report of the Group was approved by the Board for issue on 21 July 2023.

Going concern

The financial information contained in this Interim Financial Report has been prepared on a going concern basis.

The Directors have reviewed the Group's cash flow forecasts, considered the assumptions contained in the reforecast, and considered associated principal risks which may impact the Group's performance in the 12 months from the date of approval of this Interim Financial Report and in the period immediately thereafter.

At 31 May 2023, the Group had no debt except for lease liabilities of £28.9 million and bank overdraft. Credit facilities relevant to the review period comprise a committed £50.0 million RCF (with the expiry date of June 2026, with an extension option to 2027) and an uncommitted £30.0 million accordion facility, both jointly provided by HSBC and Citibank. These facilities remained undrawn on 31 May 2023. A further uncommitted £5.0 million bank overdraft facility is also held with HSBC of which £1.8 million was used at the period end.

In addition, the Group has £72.4 million of net cash and cash equivalents available to fund its short-term needs, as well as a substantial working capital position, reflecting net cash due to SThree for placements already undertaken.

Despite the macro-economic uncertainties that currently exist, the Group has delivered a resilient net fee performance in the first half of FY23, in line with expectations, and supported by the strength of its well-established strategy. In addition, the Group's targeted investment in talent and digital infrastructure is progressing as planned, positioning the Group to scale with sustainable margins, in line with the 2024 ambitions.

Based on the analysis performed, the Directors have formed a judgement that at the time of approving the Interim Financial Report, there are no plausible downside scenarios that would cause an issue for the Group's going concern status. The Directors have therefore concluded that the Group has adequate resources to continue in operational existence for the period through to August 2024.

Accounting policies

The accounting policies used in the preparation of the Condensed Consolidated Financial Statements are consistent with those applied in the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards effective as of 1 December 2022 as set out below.

New and amended standards effective in FY23 and adopted by the Group

The following amendment to the accounting standards, issued by the IASB and endorsed by the UK and EU, have been adopted by the Group which became applicable as of 1 December 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Reference to the Conceptual Framework (amendments to IFRS 3)
- Property, plant and equipment - proceeds before intended use (amendments to IAS 16).
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37)
- Annual improvements to IFRS 2018-2020 (amendments to the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41).

New and amended standards that are applicable to the Group but not yet effective

As at the date of authorisation of this Interim Financial Report, the following amendments to existing standards were in issue but not yet effective. Subject to the endorsement by the UKEB, these changes are effective for the period beginning 1 January 2023. These amendments are not expected to have a material impact on the Group in the current or future periods.

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes).
- IFRS 17 Insurance contracts, a standard that is ultimately intended to replace IFRS 4.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Interim Financial Report includes the use of estimates and assumptions. Although the estimates used are based on the management's best information about current circumstances and future events and actions, actual results may differ from these estimates.

In preparing this Interim Financial Report, the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's FY22 Annual Report and Accounts.

Alternative Performance Measures

The Group presents certain measures of financial performance or financial position in the Interim Financial Report that are not defined or specified according to IFRS. These measures, referred to as APMs, are defined and reconciled to IFRS in note 16 to the Condensed Consolidated Financial Statements, and were prepared on a consistent basis for all periods presented.

2. OPERATING SEGMENTS

The Group's operating segments are established on the basis of those components of the Group that are regularly reviewed by the Group's chief operating decision-making body, in deciding how to allocate resources and in assessing performance. The Group's business is considered primarily from a geographical perspective.

The Directors have determined the chief operating decision-making body to be the Executive Committee made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief People Officer, with other senior management attending via invitation.

In the current financial period, the Group has changed its reporting segments to reflect a new management structure. Going forward it will segment the business into the following five reportable regions: DACH, Netherlands (including Spain, which is managed from the Netherlands), Rest of Europe, USA and Middle East & Asia. The comparative numbers have been restated in accordance with this new reporting structure.

The Group will continue to present separately the net fees of its five key markets: Germany, the Netherlands, USA, the UK and Japan. In addition, what it was previously referred to sectors, has now been renamed as 'skills mix'. Finally, Contract and Permanent are from now on referred to as 'service mix'.

DACH region comprises Austria, Germany and Switzerland. Rest of Europe comprises the UK, Belgium, France, Luxembourg and Ireland, and Middle East & Asia includes Japan, UAE and Singapore.

Countries aggregated into DACH and separately into Rest of the Europe have similar economic risks and prospects, i.e. they are expected to generate similar long-term average gross margins over the long-term, and are similar in each of the following areas:

- the nature of the services (recruitment/candidate placement);
- the methods used in which they provide services to clients (independent contractors, employed contractors and permanent candidates); and
- the class of candidates (candidates who are placed with SThree's clients, represent skill sets in Science, Technology, Engineering and Mathematics disciplines).

The Group's management reporting and controlling systems use accounting policies that are the same as those described in these financial statements and in the Group's FY22 annual financial statements.

Revenue and net fees by reportable segment

The Group assesses the performance of its operating segments through a measure of segment profit or loss which is referred to as 'net fees' in the management reporting and controlling systems. Net fees is the measure of segment profit comprising revenue less cost of sales.

£'000	Revenue (unaudited) Six months ended		Net fees (unaudited) Six months ended	
	31 May 2023	31 May 2022 Restated	31 May 2023	31 May 2022 Restated
DACH	264,512	258,144	74,476	70,489
Rest of Europe	197,221	188,767	35,178	35,377
Netherlands (including Spain)	177,497	150,711	39,381	35,884
USA	164,019	155,132	49,364	51,683
Middle East & Asia	21,962	19,495	10,192	9,620
	825,211	772,249	208,591	203,053

Split of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following geographical regions:

For the six months ended 31 May 2023 £'000	DACH	Rest of Europe	Netherlands (including Spain)	USA	Middle East & Asia	Total
Timing of revenue recognition						
Over time	243,756	195,014	173,260	157,188	15,743	784,961
At a point in time	20,756	2,207	4,237	6,831	6,219	40,250
	264,512	197,221	177,497	164,019	21,962	825,211

For the six months ended 31 May 2022 (restated) £'000	DACH	Rest of Europe	Netherlands (including Spain)	USA	Middle East & Asia	Total
Timing of revenue recognition						
Over time	237,556	184,527	146,400	143,993	12,433	724,909
At a point in time	20,588	4,240	4,311	11,139	7,062	47,340
	258,144	188,767	150,711	155,132	19,495	772,249

Major customers

In the six months ended 31 May 2023 (H1 FY22: none) no single customer generated more than 10% of the Group's revenue.

Other information

The Group's revenue from external customers, its net fees and information about its segment assets (non-current assets excluding deferred tax assets) by key location are detailed below:

£'000	Revenue (unaudited) Six months ended		Net fees (unaudited) Six months ended	
	31 May 2023	31 May 2022	31 May 2023	31 May 2022
Germany	229,247	225,859	65,740	62,838
Netherlands	170,103	146,137	37,252	34,620
USA	164,019	155,132	49,364	51,683
UK	128,305	123,818	21,938	22,185
Japan	4,989	5,130	4,380	4,475
RoW ⁽¹⁾	128,548	116,173	29,917	27,252
	825,211	772,249	208,591	203,053

(1) RoW (Rest of the World) includes all countries other than listed.

£'000	(Unaudited)	(Audited)
	As at 31 May 2023	As at 30 November 2022
Non-current assets		
Germany	14,734	16,313
UK	5,995	5,374
Japan	3,455	4,144
USA	2,916	3,962
Netherlands	1,970	2,149
RoW	4,216	4,153
	33,286	36,095

The following segmental analysis by brands, recruitment classification and sectors (being the profession of candidates placed) have been included as additional disclosure to the requirements of IFRS 8.

£'000	Revenue (unaudited) Six months ended		Net fees (unaudited) Six months ended	
	31 May 2023	31 May 2022	31 May 2023	31 May 2022
Brands				
Computer Futures	273,869	267,129	69,924	68,110
Progressive	269,946	215,725	68,832	56,687
Real Staffing Group	162,941	174,484	43,377	50,237
Huxley Associates	118,455	114,911	26,458	28,019
	825,211	772,249	208,591	203,053

Other brands including Global Enterprise Partners, JP Gray, Madison Black, Newington International and Orgtel are rolled into the above brands.

£'000	Revenue (unaudited) Six months ended		Net fees (unaudited) Six months ended	
	31 May 2023	31 May 2022	31 May 2023	31 May 2021
Recruitment classification				
Contract	784,961	724,909	169,982	156,944
Permanent	40,250	47,340	38,609	46,109
	825,211	772,249	208,591	203,053

£'000	Revenue (unaudited) Six months ended		Net fees (unaudited) Six months ended	
	31 May 2023	31 May 2022	31 May 2023	31 May 2022
Skills mix				
Technology	423,393	397,218	101,712	96,339
Engineering	194,579	155,816	51,223	41,679
Life Sciences	139,210	154,966	38,958	46,293
Other	68,029	64,249	16,698	18,742
	825,211	772,249	208,591	203,053

3. ADMINISTRATIVE EXPENSES

Operating profit is stated after charging:

£'000	(Unaudited)	(Unaudited)
	Six months ended 31 May 2023	Six months ended 31 May 2022
Staff costs	128,246	121,298
Depreciation	8,001	8,250
Amortisation	-	218

Loss on disposal of property, plant and equipment	112	11
Impairment of intangible assets (see note a)	-	499
Loss on disposal of intangible assets (see note a)	-	1,206
Service lease charges		
- Buildings	1,071	789
- Cars	306	147
Foreign exchange losses	1,286	284

Note a) Disposal of intangible assets

During the previous financial period, in light of the commencement of the Group-wide digital transformation programme, management reviewed the entire book of legacy development costs and assets under construction capitalised in previous years. The decision was taken to expense £1.7 million (including £0.5 million in accelerated amortisation) worth of the legacy intangible assets immediately to the income statement in the prior period.

4. INCOME TAX EXPENSE

Income tax for the half year is accrued based on the Directors' best estimate of the average annual effective tax rate (ETR) for the financial year. The tax charge for the half year amounted to £10.8 million (H1 FY22: £12.3 million) at an ETR of 28.1% (H1 FY22: 27.8%). The tax rate is higher in the current period mainly due to the increase in the UK tax rate to 25% from 1 April 2023. The Group's ETR primarily varies with the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIP's and other one-off tax items.

A deferred tax asset of £5.0 million (as at 30 November 2022: £4.6 million) was recognised in the financial statements for the six months ended 31 May 2023. This comprised deferred tax assets of £5.1 million (as at 30 November 2022: £4.7 million) and deferred tax liabilities of £0.1 million (as at 30 November 2022: £0.1 million). The deferred tax assets arise on accelerated depreciation, share based payments and provisions. The movement in the period arises primarily on share-based payments.

At the reporting date, the Group had unused tax losses of £30.4 million (as at 30 November 2022: £30.3 million) available for offset against future profits. No deferred tax asset was recognised against these losses.

5. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period excluding shares held as treasury shares and those held in the Employee Benefit Trust, which for accounting purposes are treated in the same manner as shares held in the treasury reserve.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares arising from exercising employee stock options and tracker shares.

The following tables reflect the income and share data used in the basic and diluted EPS calculations.

£'000	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Earnings		
Profit for the period attributable to the owners of the Company	27,675	31,980

millions	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Number of shares		
Weighted average number of shares used for basic EPS	131.9	132.6
Dilutive effect of share plans	3.5	4.1
Diluted weighted average number of shares used for diluted EPS	135.4	136.7

pence	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
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Basic EPS	21.0	24.1
Diluted EPS	20.4	23.4

6. INTANGIBLE ASSETS

During the six months ended 31 May 2023, in line with management expectations, the Group made good progress in achieving key milestones of the technology improvement plan.

As a result, as of 31 May 2023 nearly £2.0 million in development costs were capitalised in the statement of financial position. At the reporting date, these assets have been classified as under construction because due to the ongoing development procedures they are not yet in the condition and location as intended by management.

Subject to the successful roll out and completion of thorough tests, the first developed assets are expected to be brought into use in certain locations, primarily in the USA and Germany, in Q4 FY23 at the earliest. Accordingly, the asset amortisation is expected to start in the second half of the current financial year.

7. CASH AND CASH EQUIVALENTS

£'000	(Unaudited) As at 31 May 2023	(Audited) As at 30 November 2022
Cash at bank	74,186	65,809
Bank overdraft	(1,775)	(423)
Net cash and cash equivalents	72,411	65,386

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets approximate their fair values. All of these assets are categorised within level 1 of the fair value hierarchy.

The Group has four cash pooling arrangements in place at HSBC US (USD), HSBC UK (GBP), NatWest (GBP) and Citibank (EUR).

8. SHARE CAPITAL

During the period 38,778 (H1 FY22: 120,438) new ordinary shares were issued, resulting in a share premium of £0.1 million (H1 FY22: £0.3 million). These shares were issued pursuant to the exercise of share awards under the Save As You Earn scheme.

Treasury Reserve

Treasury reserve represent SThree plc shares repurchased and available for specific and limited purposes.

In the six months ended 31 May 2023, no shares were purchased or utilised from the treasury reserve. At the period end, 35,767 (H1 FY22: 35,767) shares were held in treasury.

Employee Benefit Trust

The Group holds shares in the Employee Benefit Trust (EBT). The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy future requirements of the employee share-based payment schemes.

For accounting purposes shares held in the EBT are treated in the same manner as shares held in the treasury reserve by the Company and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

In the six months ended 31 May 2023, the EBT purchased 2,198,735 (H1 FY22: 1,189,306) of SThree plc shares. The average price paid per share was 455 pence (H1 FY22: 397 pence). The total acquisition cost of the purchased shares was £10.0 million (H1 FY22: £4.7 million), for which the treasury reserve was reduced. During the period, the EBT utilised 1,101,288 (H1 FY22: 687,858) shares primarily on settlement of Long-Term Incentive awards. At the period end, the EBT held 2,868,593 (H1 FY22: 1,424,810) shares.

9. LEASES

The leases which are recorded on the Condensed Consolidated Statement of Financial Position are principally in respect of buildings and cars.

The Group's right-of-use assets and lease liabilities are presented below:

£'000	(Unaudited) As at 31 May 2023	(Audited) As at 30 November 2022
Buildings	23,862	27,862
Cars	1,984	1,932
Total right of use assets	25,846	29,794
Current lease liabilities	9,463	11,102
Non-current lease liabilities	19,388	22,600
Total lease liabilities	28,851	33,702

The Condensed Consolidated Income Statement includes the following amounts relating to depreciation of right-of-use assets:

£'000	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 30 May 2022
Buildings	5,849	5,869
Cars	616	560
IT equipment	-	35
Total depreciation charge of right-of-use assets	6,465	6,464

In the current period interest expense on leases amounted to £0.3 million (H1 FY22: £0.3 million) and was recognised within finance costs in the Condensed Consolidated Income Statement.

The total cash outflow for leases in six months ended 31 May 2023 was £7.7 million (H1 FY22: £7.0 million) and comprised the principal and interest element of recognised lease liabilities.

10. OTHER FINANCIAL LIABILITIES

As at 31 May 2023, the Group maintains a committed Revolving Credit Facility (RCF) of £50.0 million along with an uncommitted £30.0 million accordion facility, both jointly provided by HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £80.0 million. During the current and previous period, the Group did not draw down under these facilities. The Group has also an uncommitted £5.0 million overdraft facility with HSBC of which £1.8 million was used at the current period end (as at 30 November 2022: £0.4 million).

Any funds borrowed under the facility bear a minimum annual interest rate of 1.2% above the benchmark Sterling Overnight Index Average (SONIA). In the six months ended 31 May 2023, the Group incurred £0.3 million in finance costs (H1 FY22: £0.4 million) which were mainly related to lease interest.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group has complied with these covenants throughout the current and prior period.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in the Group's FY22 annual financial statements.

11. DIVIDENDS

£'000	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Amounts recognised as distributions to equity holders in the period		
Interim dividend of 5.0 pence (2021: 3.0 pence) per share	6,605	3,965
Final dividend of 11.0 pence (2021: 8.0 pence) per share	13,937	10,636
	20,542	14,601

The interim dividend for the year ending 30 November 2022 of 5.0 pence (FY21: 3.0 pence) per share was paid on 2 December 2022 to those shareholders on the register of SThree plc on 4 November 2022.

The final dividend for the year ending 30 November 2022 of 11.0 pence (FY21: 8.0 pence) per share was approved by shareholders at the Annual General Meeting on 20 April 2023. The £13.9 million in funds, required for settlement of

final dividend, were first transferred to the share administrator before 31 May 2023, and the dividend was paid on 9 June 2023 to those shareholders on the register of SThree plc on 12 May 2023.

12. CONTINGENT LIABILITIES

Legal

The Group is involved in various disputes and claims which arise from time to time in the course of its business. These are reviewed on a regular basis and, where possible, an estimate is made of the potential financial impact on the Group. The Group has contingent liabilities in respect of these claims. In appropriate cases a provision is recognised based on advice, best estimates and management judgement.

The Directors currently believe the likelihood of any material liabilities to be low, and that such liabilities, if any, will not have a material adverse effect on its financial position.

13. RELATED PARTY DISCLOSURES

The Group's significant related parties are as disclosed in the Group's FY22 annual financial statements. There have been no significant changes to the nature of its related party transactions as disclosed in note 23 of the SThree plc's Annual Report and Accounts FY22.

14. SHAREHOLDER COMMUNICATIONS

SThree plc has taken advantage of regulations which provide an exemption from sending copies of its Interim Financial Report to shareholders. Accordingly, the FY23 Interim Financial Report will not be sent to shareholders but will be available on the Company's website www.sthree.com or can be inspected at the registered office of the Company.

15. SUBSEQUENT EVENTS

There were no subsequent events following 31 May 2023.

16. ALTERNATIVE PERFORMANCE MEASURES (APMs): DEFINITIONS AND RECONCILIATIONS

In discussing the performance of the Group, comparable measures are used.

The Group discloses comparable performance measures to enable users to focus on the underlying performance of the business on a basis which is common to both periods for which these measures are presented. The reconciliation of comparable measures to the directly related measures calculated in accordance with IFRS is as follows.

APMs in constant currency

As the Group operates in 14 countries and with many different currencies, it is affected by foreign exchange movements, and the reported financial results reflect this. However, the Group business is managed against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine the management ability to drive the business forward and control it. Within this Interim Financial Report, comparable results have been highlighted on a constant currency basis as well as the results on a reported basis which reflect the actual foreign currency effects experienced.

The Group evaluates its operating and financial performance on a constant currency basis (i.e. without giving effect to the impact of variation of foreign currency exchange rates from period to period). Constant currency APMs are calculated by applying the prior period foreign exchange rates to the current and prior financial period results to remove the impact of exchange rate.

Measures on a constant currency basis enable users to focus on the performance of the business on a basis which is not affected by changes in foreign currency exchange rates applicable to the Group's operating activities from period to period.

The calculations of the APMs on a constant currency basis and the reconciliation to the most directly related measures calculated in accordance with IFRS are as follows:

£'000, unless otherwise stated	31 May 2023 (unaudited)					
	Revenue	Net fees	Operating profit	Operating profit conversion ratio*	Profit before tax	Basic EPS
Reported	825,211	208,591	38,121	18.3%	38,491	21.0p
Currency impact	(34,734)	(9,102)	(3,254)	(0.8%)	(3,233)	-1.8p

In constant currency	790,477	199,489	34,867	17.5%	35,258	19.2p
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£'000, unless otherwise stated	31 May 2022 (unaudited)					
	Revenue	Net fees	Operating profit	Operating profit conversion ratio*	Profit before tax	Basic EPS
Reported	772,249	203,053	44,645	22.0%	44,294	24.1p
Currency impact	11,331	2,482	919	0.2%	929	0.5p
In constant currency	783,580	205,535	45,564	22.2%	45,223	24.6p

*Operating profit conversion ratio represents operating profit over net fees.

Other APMs

Net cash excluding lease liabilities

Net cash is an APM used by the Directors to evaluate the Group's capital structure and leverage. Net cash is defined as cash and cash equivalents less current and non-current borrowings excluding lease liabilities, less bank overdraft, as illustrated below:

£'000	(Unaudited) As at 31 May 2023	(Audited) As at 30 November 2022
Cash and cash equivalents	74,186	65,809
Bank overdraft	(1,775)	(423)
Net cash	72,411	65,386

EBITDA

In addition to measuring financial performance of the Group based on operating profit, the Directors also measure performance based on EBITDA. It is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation of property, plant and equipment (PPE), the amortisation and impairment of intangible assets, loss on disposal of PPE and intangible assets, gain on lease modification and the employee share options charge. Where relevant, the Group also uses EBITDA to measure the level of financial leverage of the Group by comparing EBITDA to net debt.

A reconciliation of reported operating profit for the period, the most directly comparable IFRS measure, to EBITDA is set out below.

£'000	(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Reported operating profit for the period	38,121	44,645
Depreciation of PPE	8,001	8,250
Amortisation and impairment of intangible assets	-	717
Loss on disposal of PPE and intangible assets	112	1,217
Employee share options charge	2,552	2,236
EBITDA	48,786	57,065

Contract margin

The Group uses Contract margin as an APM to evaluate Contract business quality and the service offered to customers. Contract margin is defined as Contract net fees as a percentage of Contract revenue.

£'000, unless otherwise stated		(Unaudited) Six months ended 31 May 2023	(Unaudited) Six months ended 31 May 2022
Contract net fees	A	169,982	156,944
Contract revenue	B	784,961	724,909
Contract margin	(A ÷ B)	21.7%	21.7%

FINANCIAL CALENDAR

19 September 2023	FY23 Q3 Trading Update
30 November 2023	2023 financial year end
14 December 2023	FY23 Trading Update
30 January 2024	FY23 Final Results

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