6 August 2019

IWG plc – INTERIM RESULTS ANNOUNCEMENT – SIX MONTHS ENDED 30 JUNE 2019

IWG plc, the global operator of leading co-work and workspace brands, today announces its interim results for the six months ended 30 June 2019

Strong sales growth and franchising momentum in first half of 2019

Key Highlights[1]

Continued revenue and profit growth
- Open centre revenue up 15.1%[2] to £1,275.0m
- Pre-2018[3] revenue increased 5.2%[2] to £1,154.9m
- Pre-2018[3] EBITDA up 22%[2] to £229.7m
- Profit after tax of £294.9m, including profit on Japan transaction

Excellent franchising momentum and progress
- £320m partnership transaction in Japan completed, long-term master franchise underway
- Franchise agreements signed with multiple partners, commitment of over 300 locations
- Strong interest from third parties wanting to operate IWG brands across a wide range of geographies

Strong growth in enterprise accounts
- Winning many new global clients
- Strong growth momentum with existing enterprise accounts, revenue from top 300 accounts up c.30%

Record cash generation, strong balance sheet and announcement of increased return to shareholders
- Cash flow pre-growth of £385.1m, 43.0p per share
- Proposed 10.3% increase in interim dividend to 2.15p
- £100m share repurchase programme announced

Significant capital investment in network and global platform infrastructure
- Net growth capital investment of £185.5m adding 114 new locations (all organic) and 3.0m sq. ft.
- Now in 3,334 locations worldwide, with 58.8m sq. ft. of space
- Expanded the network with 2 new countries and 22 new cities

IFRS 16
- The adoption of IFRS 16 impacts the Group's financial reporting only
- The fundamentals of the business have not changed, with revenue, cash generation and returns unaffected

Interim results

£m	H1 2019 (IFRS 16 basis)	**H1 2019 (IAS 17 basis)**	H1 2018 (IAS 17 basis)	% change constant currency (IAS 17 basis)	% change actual currency (IAS 17 basis)
Revenue	1,302.4	**1,302.4**	1,159.3	10.3%	12.3%
Open centre revenue	1,275.0	**1,275.0**	1,086.7	15.1%	17.3%
Gross profit	293.8	**196.3**	183.2	4%	7%
Overheads	(145.2)	**(145.4)**	(131.8)	10%	10%
Operating profit – continuing operations	148.3	**50.6**	50.4	(8)%	-%
Profit before tax – continuing operations	41.4	**42.8**	44.7		(4)%
Profit before tax[4]	53.4	**55.2**	54.3		2%
Profit after tax – including discontinued operations	299.8	**294.9**	43.4		579%
Earnings per share – attributable to ordinary shareholders (p)	33.5	**32.9**	4.8		585%
Earnings per share – from continuing operations	4.1	**4.2**	3.9		8%
Dividend per share (p)	2.15	**2.15**	1.95		10.3%
EBITDA	773.1	**189.8**	170.9	6%	11%
Pre-2018 EBITDA	730.6	**229.7**	180.5	22%	27%
Cash flow before net growth capex, repurchases and dividends	52.9	**385.1**	75.7		409%
Net debt	6,220.1[5]	**298.1**	383.2		
Net debt : LTM EBITDA (x)	4.0[6]	**0.7**	1.1		

(1) Results presented in accordance with pre-IFRS 16 accounting standards (as defined on page 26)
(2) At constant currency
(3) Pre-2018 refers to the performance in the reported period for all operations opened on or before 31 December 2017 and were open throughout the period
(4) Includes the trading profit before tax from Japan
(5) Net debt in accordance with IFRS 16 includes lease liabilities of £5,922.0m
(6) Calculated as Net debt : Annualised EBITDA

Mark Dixon, Chief Executive of IWG plc, said:

“This has been a strong period for trading. We look forward to delivering a good result for the year.

We continue to invest in our leading platform, in our network and the resources needed to further improve customer experience and innovate new products to match evolving requirements.

We have made excellent progress in franchising and partnering in the first half, which will help us grow more rapidly in this exciting market. As previously reported, we entered into a strategic partnership with TKP in Japan, which involved the transfer of our Japanese operations and entering into an exclusive master franchise agreement for the country. We are already working very closely with our partner in Japan to continue to develop attractive growth opportunities and they have committed to a development plan that will add significantly to the network. Interest in partnering with IWG, the market leader, is high and we are in discussions with a number of prospective partners. We anticipate providing an update in the second half of the year.

We look forward to the remainder of the year with confidence. Even in this period of global, political and economic uncertainty, we expect the positive momentum to continue in our business and this is reflected in the increased proposed dividend and £100m share repurchase programme.”

Details of results presentation

Mark Dixon, Chief Executive Officer, and Eric Hageman, Chief Financial Officer, are hosting a presentation today for analysts and investors at 9.30am BST at J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP.

For those unable to attend the presentation, please contact Jessica Ayres to obtain details for the webcast or conference call: jayres@brunswickgroup.com or +44 (0) 20 7396 7466

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Chief Executive Officer’s review

Results presentation

As previously announced, our results for the six months to 30 June 2019 are reported under the new accounting standard for leases, IFRS 16. As the new standard is effective from 1 January 2019, our results for 2018 are not restated and reflect pre-IFRS 16 accounting standards. To provide a more insightful view of the Group’s year-on-year performance, the impact of IFRS 16 on the current period results is summarised in the pro-forma statements provided on pages 27 to 29 and in the Chief Financial Officer’s review.

The below commentary is based on results in accordance with pre-IFRS 16 accounting standards. We believe this provides a better representation of the Group’s performance, is consistent with how we manage our business day-to-day and more closely reflects the economics over the life cycle of our leases. As previously communicated, it is the intention of management to continue to manage the business on a pre-IFRS 16 basis, which is in line with the Group’s internal reporting. All Pre-IFRS 16 numbers in the commentary below have been marked with (1) to provide clarity on the basis of preparation.

These results also reflect the significant franchising transaction in Japan, consistent with the Group’s strategy of transitioning to a franchise model. In accordance with IFRS 5, the strategic partnership in Japan is treated as discontinued operations as required by the accounting standard. However, this is purely an accounting definition and does not represent the commercial reality that the operations now run by our partner continue to be an important strategic component of the Group’s overall network.

Strong progress across the board

This has been a very successful first half year for the Group and this is reflected in our financial and operational results. We have reached several milestones, including record profit and cash flow pre-growth. Profit after tax was £294.9m, (£299.8m after the impact of IFRS 16) and cash flow pre-growth totalled £385.1m. These support the enhanced returns to our shareholders through the continuation of our progressive dividend policy, with a 10.3% increase in the interim payment, and a £100m share repurchase programme. At the same time, we also continue to invest in our network and industry-leading platform to deliver future growth.

We also announced the completion of our strategic partnership with TKP Corporation (‘TKP’) in Japan with an exclusive master franchise agreement for the country. This was a landmark transaction, which validates our focus on franchising as a key growth driver.

Operationally, we have added 3.0m sq. ft. of new workspace, which represents a record start to the year in terms of organic growth. The addition of 114 new locations, takes our global network to 3,334 locations at 30 June 2019, including two new countries and 22 new towns and cities. We also made good progress with our strategy to rationalise the network and increased our traction with enterprise accounts, which resulted in record sales. These initiatives position the Group strongly to deliver on future profitable growth.

Open centre revenue, which is a good barometer of long term business performance, increased 15.1% at constant currency to £1,275.0m. Total Group revenue increased 10.3% at constant currency to £1,302.4m (H1 2018: £1,159.3m), whilst pre-2018 revenue increased 5.2% at constant currency to £1,154.9m (H1 2018: £1,076.6m).

Our revenue performance has continued to benefit from a more focused and invigorated sales effort and our continued investment in developing new products and services. We believe increasing revenue from other services is a significant competitive advantage and a core pillar of our profitable, cash generative business model. Approximately 27% of our revenue in the first half was generated by our range of other services.

EBITDA(1) increased 11% to £189.8m (H1 2018: £170.9m). Before the investment in growth, the performance is even stronger with a 22% constant currency increase in the pre-2018 EBITDA(1) to £229.7m.

Highly attractive addressable market

Growth in our marketplace is being driven by an increasing structural shift towards flexible workspace and away from conventional leasing. These well documented secular trends, which are disrupting the workplace, are accelerating for enterprises of all sizes.

Our strong sales performance in the period reflects these growth trends and our strategy remains clearly focused on delivering against this increasing demand. We believe a quicker and more asset light strategy for growth is achieved by partnering with a diverse range of third parties and we continue to shape the business accordingly to grasp this opportunity.

Our industry also continues to be increasingly recognised and mainstream, which means we are operating against a rapidly evolving backdrop. As the attractive characteristics of the flexible workspace market attracts more operators, there is evidence that some of these are becoming investment constrained, which may present IWG with opportunities.

Investing in company owned platform and brands

The first half of 2019 has been another period in the Group’s 30-year history where we have invested significantly in our network and the infrastructure to support it.

In the six months to 30 June 2019 we invested £185.5m (H1 2018: £130.1m) of net growth capital investment and brought 114 new locations online in our global network. These locations added 3.0m sq. ft. of new organic space to a global total of 58.8m sq. ft. of co-working and flexible workspace available to support the evolving needs of our customers.

Importantly, we also invested £71.0m (H1 2018: £49.7m) of maintenance capital expenditure for our existing network. This increase is reflective of the refurbishment programme that we began to step up in 2018.

Our multiple brand strategy continues to differentiate our wide product and service offering to ensure that we meet all our customer needs, whether based on physical space, location or price point. We strongly believe that building our brand portfolio is an important factor as we continue to further scale the business.

Where locations no longer fit into our network, or have been underperforming, we have been increasingly proactive in rationalising the network. This adversely impacted gross profit by £10.2m in the six months to 30 June 2019. We expect this focus to continue in the second half of 2019 and possibly into 2020.

Our scale and strong financial position also enable us to utilise M&A activity, if the opportunity arises, to strengthen our global network in the near-term where this makes strategic sense. We believe this may also enhance the value of our business segments to potential franchise partners.

Excellent momentum in partnering

We are experiencing growing momentum in our partnering activities. In addition to the milestone master franchise agreement in Japan, we have signed several traditional franchise agreements around the world. In the six months to 30 June 2019, we added six new franchise partners and commitments for over 180 locations. This brings the total number of franchise partners to 24 across 18 countries and combined commitments for over 300 locations.

As previously reported, on 31 May 2019 we entered into a strategic partnership with TKP in Japan, which involved the transfer of our Japanese operations and entering into an exclusive master franchise agreement for the country. This agreement provides TKP with exclusive rights to use the IWG brands in Japan and they have also committed to a development plan that will add significantly to the network.

We strongly believe that this landmark transaction validates our focus on franchising as a key long-term growth driver. We are experiencing strong momentum in the strategy, with potential third parties in many different territories interested in operating under our brands. As we anticipate further significant franchising deals, we also continue to invest in resources to ensure that we have the right capabilities. As our strategy is focussed on choosing the right partners, who can drive the business forward and enable the network to reach its full potential, we will be measured in our selection process.

Strong growth in enterprise accounts

Our enterprise accounts continue to be an attractive and growing part of our customer portfolio. This reflects both the increasing demand from enterprises to embrace a more flexible approach to corporate real estate and the investment we have made into our resources supporting this customer segment. We expect this to become an increasingly important element of our business.

Our business with existing enterprise customers also continues to grow strongly. Revenue in the six months to 30 June 2019 from our top 300 enterprise accounts has increased by almost 30%. This is supplemented by the very strong development of accounts gained in recent years.

Strong financial position

A core fundamental attraction of our business model is the cash generative capability through profit conversion of the pre-2018 activities of the Group. Combining this with the proceeds from the Japan transaction, the Group continues to be in a strong financial position that enables us to invest in opportunities where they create incremental shareholder value.

Net debt reduced to £298.1m[(1)] (31 December 2018: £460.8m) and represents a net debt to LTM EBITDA leverage ratio of 0.7 times. This level is below the 0.75-1.5x range that we consider appropriate for our current business model. Accordingly, the Group has announced a share repurchase programme. Moreover, the continued development of our franchise model potentially provides the opportunity for increased gearing in due course.

As at 30 June 2019 we had approximately £150m of freehold property investments on the balance sheet.

Under IFRS 16, reported net debt has increased to £6,220.1m due to the lease liabilities being recognised on the adoption of IFRS 16. This, however, does not impact on the Group's covenants.

Enhanced returns to shareholders

Balanced alongside the investment plans of the Group, is our focus on shareholder returns, particularly in the context of our pivot towards becoming a franchise business. We continue to be committed to a sustainable and progressive dividend policy. Reflecting our confidence in the long-term prospects of the business, we have announced a 10.3% increase for the 2019 interim dividend to 2.15p (H1 2018: 1.95p).

With our strategic move towards a franchised business, and with the first material strategic partnership signed in the second quarter, we felt it was important to give clarity on how we think about the use of proceeds from such transactions. We believe excess cash should be returned to shareholders. Our announcement of a £100m share repurchase programme underlines this philosophy.

Outlook

This has been a strong period for trading. We look forward to delivering a good result for the year.

We continue to invest in our leading platform, in our network and the resources needed to further improve customer experience and innovate new products to match evolving requirements.

We have made excellent progress in franchising and partnering in the first half, which will help us grow more rapidly in this exciting market. As previously reported, we entered into a strategic partnership with TKP in Japan, which involved the transfer of our Japanese operations and entering into an exclusive master franchise agreement for the country. We are already working very closely with our partner in Japan to continue to develop attractive growth opportunities and they have committed to a development plan that will add significantly to the network. Interest in partnering with IWG, the market leader, is high and we are in discussions with a number of prospective partners. We anticipate providing an update in the second half of the year.

We look forward to the remainder of the year with confidence. Even in this period of global, political and economic uncertainty, we expect the positive momentum to continue in our business and this is reflected in the increased proposed dividend and £100m share repurchase programme.

Mark Dixon
Chief Executive Officer
6 August 2019

Chief Financial Officer's review

Financial performance

The review below highlights the reported results in accordance with IFRS 16 and a description of the change in profile of the Group's results due to the movement in many of the Group's metrics as a result of the adoption of the standard.

Under IFRS 16, while total lease related charges over the life of a lease remain unchanged, the lease charges are characterised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expense in the later periods of the lease. In order to provide greater clarity in understanding the underlying performance of the business, the Group has also presented the results below in accordance with pre-IFRS 16 accounting standards and the trading commentary is based on results in accordance with pre-IFRS 16 accounting standards, which more closely track with the cashflows over the life of a lease and are therefore continuing to be used for management reporting purposes. All Pre-IFRS 16 numbers in the commentary below have been marked with (1) to provide clarity on the basis of preparation.

Change in accounting standard – IFRS 16 Leases

Our statutory results for the six months to 30 June 2019 are reported under the new accounting standard for leases, IFRS 16. As the new standard is effective from 1 January 2019, our results for 2018 are not restated and reflect pre-IFRS 16 accounting standards. To provide a more insightful view of the Group's year-on-year performance, the impact of IFRS 16 on the current period results is summarised in the pro-forma statements provided on pages 27 to 29.

IFRS 16 introduces a single, on-balance sheet accounting model for leases. In applying the standard, the Group adopted a modified retrospective approach, choosing to measure the right-of-use asset at the retrospective amount as if IFRS 16 had been applied from the lease commencement dates. The most significant impact of this is the Group recognising a right-of-use asset of £5.0bn and a related lease liability of £5.5bn at 1 January 2019. Tables summarising the opening balance sheet impact are presented in note 1. The recognition of these balances does not impact the overall cash flows of the Group or cash generation per share. Adoption of IFRS 16 will have no impact on the Group's ability to comply with the covenant requirements of its revolving credit facility.

Revenue

Revenue increased by 10.3% at constant currency (12.3% at actual currency) from £1,159.3m to £1,302.4m. This increase was driven by 13% constant currency growth in reported revenues in the Americas (the Group's largest market) and 18% growth in EMEA (the Group's second largest market).

There is no impact on the Group's revenue arising out of the adoption of IFRS 16.

The growth in open centre revenue is particularly pleasing with an increase of 15.1% at constant currency to £1,275.0m (H1 2018: £1,086.7m. This is an important indicator for future revenue performance as it is not impacted by the pro-active network rationalisation programme.

Growth in pre-2018 revenue for the first six months of 2019 was 5.2% at constant currency (7.3% at actual rates) to £1,154.9m. This performance has been delivered by a solid improvement in the pre-2017 business and the continued good development of the locations opened in 2017. Overall, occupancy for the pre-2018 business improved 3.4ppts year-on-year to 75.2%.

Group income statement

£m	**H1 2019** (IFRS 16 basis)	**H1 2019 IFRS 16 Impact**	**H1 2019** (IAS 17 basis)	H1 2018 (IAS 17 basis)	% Change (constant currency) (IAS 17 basis)	% Change (actual currency) (IAS 17 basis)
Revenue	**1,302.4**	-	**1,302.4**	1,159.3	10.3%	12.3%
Gross profit (centre contribution)	**293.8**	(97.5)	**196.3**	183.2	4%	7%
Overheads	**(145.2)**	(0.2)	**(145.4)**	(131.8)	10%	10%
Joint ventures	**(0.3)**	-	**(0.3)**	(1.0)		
Operating profit	**148.3**	(97.7)	**50.6**	50.4	(8)%	- %
Net finance costs	**(106.9)**	99.1	**(7.8)**	(5.7)		
Profit before tax from continuing operations	**41.4**	1.4	**42.8**	44.7		(4)%
Taxation	**(4.6)**	(0.5)	**(5.1)**	(9.4)		
Effective tax rate	***11.1%***		***11.9%***	*21.0%*		
Profit after tax from continuing operations	**36.8**	**0.9**	**37.7**	35.3		7%
Profit after tax from discontinuing operations	**263.0**	(5.8)	**257.2**	8.1		
Profit for the period	**299.8**	(4.9)	**294.9**	43.4		579%
Basic EPS (p)						
– From continuing operations	**4.1**		**4.2**	3.9		8%
– Attributable to shareholders	**33.5**		**32.9**	4.8		585%
Depreciation & amortisation	**611.7**		**126.8**	110.9		
EBITDA	**773.1**		**189.8**	170.9	6%	11%

Gross profit

£m	Pre-2018 centres H1 2019	New Centres H1 2019	Closed Centres H1 2019	Total 2019 (IAS 17 basis)
Revenue	**1,154.9**	**120.1**	**27.4**	**1,302.4**
Cost of sales[7]	**(914.9)**	**(153.6)**	**(37.6)**	**(1,106.1)**
Gross profit (centre contribution)[7]	**240.0**	**(33.5)**	**(10.2)**	**196.3**
Gross margin	**20.8%**			**15.1%**

£m	Pre-2018 centres H1 2018	New Centres H1 2018	Closed Centres H1 2018	Total 2018 (IAS 17 basis)
Revenue	1,076.6	10.1	72.6	1,159.3
Cost of sales[7]	(885.6)	(15.8)	(74.7)	(976.1)
Gross profit (centre contribution) [7]	191.0	(5.7)	(2.1)	183.2
Gross margin	17.7%			15.8%

[7] Results presented in accordance with pre-IFRS 16 accounting standards

Gross profit[1] for the period was £196.3m, up from £183.2m in the corresponding period in 2018, an increase at constant currency of 4.4%. This is after a significantly higher investment in the development of the network, which resulted in a gross profit drag on the reported results of £33.5m compared to £5.7m in H1 2018, and £10.2m of network rationalisation costs compared to £2.1m in H1 2018, which led to a gross margin reduction from 15.8% to 15.1%. Excluding these impacts, the gross profit margin for the pre-2018 centres increased from 17.7% to 20.8%, with a notable improvement in the Americas.

The adoption of IFRS 16 has resulted in an increase in reported gross profit to £293.8m as the rent costs previously included in cost of sales have been replaced by a depreciation charge on the right of use assets and finance costs arising on the lease liabilities. Only depreciation is included in cost of sales recognised under IFRS 16.

During the period, a review of the estimated useful life for certain asset categories of property, plant and equipment resulted in a decreased depreciation expense, recognised in cost of sales of £7.8m. This change has no impact on cash flow and further details can be found in note 6. Furthermore, gross profit was also impacted by the release of inactive customer deposits of £5.2m identified as part of our ongoing active management of working capital.

Pre-2018 performance by region

On a regional basis, pre-2018[3] revenue and gross profit can be analysed as follows:

£m	Revenue					
	H1 2019 (IFRS 16 basis)	**IFRS 16 Impact**	**H1 2019 (IAS 17 basis)**	2018 **(IAS 17 basis)**	% Change (constant currency)	% Change (actual currency)
Americas	**543.8**	-	**543.8**	469.1	10.7%	15.9%
EMEA	**287.6**	-	**287.6**	278.5	4.2%	3.3%
Asia Pacific	**139.4**	-	**139.4**	137.7	0.1%	1.2%
UK	**180.1**	-	**180.1**	188.9	(4.7)%	(4.7)%
Other	**4.0**	-	**4.0**	2.4		
Total	**1,154.9**	-	**1,154.9**	1,076.6	5.2%	7.3%

£m	Gross profit (contribution)					Pre-2018 gross margin (%)	
	H1 2019 (IFRS 16 basis)	**IFRS 16 Impact**	**H1 2019 (IAS 17 basis)**	2018 **(IAS 17 basis)**	% Change (constant currency)	**2019**	2018
Americas	**187.0**	(55.0)	**132.0**	84.2	48.9%	**24.3%**	17.9%
EMEA	**79.7**	(18.6)	**61.1**	54.5	12.3%	**21.2%**	19.6%
Asia Pacific	**17.3**	3.4	**20.7**	21.8	(7.2)%	**14.8%**	15.8%
UK	**32.7**	(12.0)	**20.7**	30.2	(31.5)%	**11.5%**	16.0%
Other	**5.5**	-	**5.5**	0.3			
Total	**322.2**	(82.2)	**240.0**	191.0	22.6%	**20.8%**	17.7%

Americas

Revenue for the Americas, our largest region, which represents c. 45% of the business has grown 12.9% at constant currency (18.2% at actual currency).

Growth from open centres increased 16.8% at constant currency to reach £576.8m. Total revenue (including closed centres) increased 12.9% at constant currency to £583.7m (18.2% at actual rates). Pre-2018 revenue in the region increased 10.7% at constant currency to £543.8m (15.9% at actual rates).

Average occupancy for the region in the pre-2018 business was 77.1% (H1 2018: 72.8%) and there was a good performance in the gross margin, which increased significantly from 17.9% to 24.3%.

The US business has delivered good single-digit revenue growth in both total revenue and in the pre-2018 revenue. Our business in Canada continues to trade strongly, delivering strong double-digit revenue growth. In our business in Latin America, we have seen good revenue recovery in Brazil, our largest market in Latin America, following the actions taken last year to rationalise our network and reposition our Brazilian estate.

A total of 16 new locations were added in the region, including 15 Spaces. These new locations included several iconic buildings, such as the Chrysler building in New York and take the total in the region to 1,284 at 30 June 2019.

EMEA

Trading in EMEA has remained strong. Open centre revenue has increased 20.9% to £336.7m at constant currency. Total revenue increased 18.2%, at constant currency, to £345.5m (17.1% at actual rates). Pre-2018 revenue increased 4.2% at constant currency to £287.6m (3.3% at actual rates). The pre-2018 gross margin improved from 19.6% to 21.2% and occupancy increased to 76.8% (H1 2018: 73.4%).

Performance in the region has continued to be driven by the key markets in continental Europe. France, Germany, The Netherlands, Switzerland and Austria all delivered very strong revenue performance. There were also strong revenue performances from Spain, Ireland and South Africa in the first half of the year.

A total of 57 new locations were added across this region, including 16 Spaces and approximately one-third of the new locations involved various forms of partnering deals. These additions took the total in the region to 1,048 at 30 June 2019.

Asia Pacific

Our business in Asia Pacific has delivered another solid performance overall. Revenue from all open centres increased 13.7% at constant currency to £159.2m. Total revenue from the region improved by 8.7% at constant currency to £166.9m (10.0% at actual rates). Pre-2018 revenue was £139.4m (H1 2018: £137.7m) and pre-2018 occupancy increased to 72.4% (H1 2018: 69.4%).

Hong Kong, after recovering last year, continued to perform strongly. The Philippines also reported very good revenue growth and we experienced improved performance in several other key markets including China, Australia and India. The performance of the region now excludes Japan although these operations continue to be an important strategic component of the Group's overall network.

A total of 30 new locations were added in the region, including 7 Spaces. Approximately two-thirds of these new locations involved various forms of partnering deals. These additions took the total in the region to 685 at 30 June 2019.

UK

We are now seeing early evidence that the programme of actions taken in the UK are being positively reflected in the performance of the business, notwithstanding the impact of Brexit on the UK economy. Pre-2018 occupancy has increased to 72.0% (H1 2018: 70.1%). This programme of actions, which are necessary to move the UK business back to the desired level of performance, has involved significant investment and in the near term this has weighed on the gross margin, with a consequent reduction in the pre-2018 margin to 11.5% (H1 2018: 16.0%).

Revenue from open centres increased 2.5% to £198.3m at constant currency. Pre-2018 revenue was down 4.7% to £180.1m (H1 2018: £188.9m) and total revenue in the UK decreased 6.6% to £202.3m, reflecting the continued network rationalisation of 20 locations in the region.

A total of 11 new locations were added in the UK, including 7 Spaces. Just over half the new locations were opened under partnering deals of different types. The net of these additions and the network rationalisation led to an overall reduction of locations in the region to 317 at 30 June 2019 (326 at 31 December 2018).

EBITDA

EBITDA(1) increased £18.9m to £189.8m, up 6% at constant currency (11% at actual rates). EBITDA(1) reflects the significant drag from the investment in growth, which in the six months to 30 June 2019 was £39.9m (H1 2018: £9.6m), and a further £8.6m in respect of the network rationalisation (H1 2018: £2.7m). The adjusted EBITDA(1), which eliminates these factors and offers a more representative indication of the underlying earnings performance of the business, increased 25% at constant currency to £238.3m (30% at actual rates). EBITDA(1) from the pre-2018 estate increased 22% at constant currency to £229.7m (H1 2018: £180.5m).

EBITDA under IFRS 16 is £773.1m, due to the rental costs under IAS 17 being replaced by a depreciation charge on the right of use assets and finance costs arising on the lease liabilities. Both of these costs are excluded from EBITDA.

Overhead investment

As expected, the Group has continued to invest in the absolute level of overheads to support the growth in the business, pivoting towards franchising and the development of enterprise accounts. In the six months to 30 June 2019, overheads increased 10% at constant currency to £145.4m (H1 2018: £131.8m).

Group overheads as a percentage of revenue reduced 20bps to 11.2%, thereby maintaining our industry leading overhead cost leadership.

Operating profit – continuing operations

Operating profit(1) for the six months to 30 June 2019 was £50.6m (H1 2018: £50.4m). As well as the planned increased investment in overheads, operating profit also reflects a material drag from our increased growth investment of £63.3m in addition to £15.0m relating to network rationalisation (H1 2018: £11.0m).

On a regional basis, there was a strong operating profit improvement from the Americas and a good operating profit from EMEA. Both Asia Pacific and the UK experienced a reduction in operating profit.

Group operating profit under IFRS 16 is £148.3m, which is not comparable to the £50.4m recorded in H1 2018 as, on adoption of IFRS 16, the rental costs incurred under IAS 17 have been replaced by a depreciation charge on the right of use assets and finance costs on the lease liabilities. Operating profit is stated before finance costs resulting in an increase compared to the prior year period.

Net finance costs

The Group's net finance costs(1) for the six months to 30 June 2019 have increased to £7.8m (H1 2018: £5.7m). This increase primarily reflects a higher level of average outstanding debt over the course of the period before the receipt of the proceeds from the Japan partnership agreement, which reduced the utilisation of the Revolving Credit Facility in early June. In addition, there were fees relating to increasing the revolving credit facility in January.

The Group reported net finance costs under IFRS 16 for the six months to 30 June 2019 are £106.9m. This is not comparable to the prior year period due to the impact of finance costs arising on the lease liability recognised on the adoption of IFRS 16. On adoption, the lease liability is measured at the present value of the lease payments to be paid during the lease term, discounted using an incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability arising from the un-wind of the discounting. This interest cost is recognised within finance costs in the profit and loss account as it unwinds.

Taxation

The interim effective tax rate for the six months to 30 June 2019 was 11.9% (H1 2018: 21.0%), which included a £7.3m one-off tax repayment received. Looking forward at factors that potentially influence the effective tax rate, we expect the full year charge to be broadly unchanged compared to the prior year.

The gain arising on the Japanese strategic partnership was exempt from tax in accordance with the local regulations.

As a result of the adoption of IFRS 16, rental costs incurred under IAS 17 have been replaced by a depreciation charge on the right of use assets and finance costs arising on the lease liabilities. This results in an acceleration of the expense relative to the recognition pattern for operating leases under IAS 17, the former lease standard.

Earnings per share

Earnings per share(1) increased in the six months to 30 June 2019 from 4.8p to 32.9p including the gain on the Japanese strategic partnership. Diluted earnings per share for the first half were 32.5p (H1 2018: 4.7p). The earnings per share and diluted earnings per share on a continuing basis for H1 2019 were 4.2p (H1 2018: 3.9p) and 4.2p (2018: 3.8p) respectively.

Basic earnings per share under IFRS 16 was 33.5p and 4.1p from attributable to ordinary shareholders and continuing operations respectively. As noted above, the adoption of IFRS 16 results in the acceleration of lease related expenses (principally depreciation and finance costs) relative to the recognition pattern for operating leases under IAS 17, impacting Group's profits and earnings per share under the new lease standard, IFRS 16.

The weighted average number of shares in issue for the first six months of the year was 895,023,696 (H1 2018: 910,723,392). The weighted average number of shares for diluted earnings per share was 906,934,699 (H1 2018: 918,583,760). No shares were purchased by the Group designated to be held in treasury to satisfy future exercises under various Group long-term incentive schemes. The Group reissued 908,576 shares from treasury to satisfy such exercises during the first half.

Cash flow and funding

Cash generation continues to be an attractive feature of our business model. Cash generated before net investment in growth capital expenditure and dividends increased by £309.4m to a record £385.1m including the competition of the strategic partnership in Japan. Consequently, cash flow per share increased from 8.3p to 43.0p. The numbers in this half year benefit from the receipt of the cash proceeds following the completion on the strategic partnership in Japan at the end of May, which is included within other items in the cash flow statement.

IFRS 16 has no impact on the Group's cash flows other than presentation of where items are classified on the cash flow statement.

Cash flow

The table below reflects the Group's cash flow:

£m	**H1 2019** (IFRS 16 basis)	**IFRS 16 Impact**	**H1 2019** (IAS 17 basis)	H1 2018 (IAS 17 basis)
Group EBITDA	**773.1**	(583.3)	**189.8**	170.9
Working capital	**86.1**	(5.9)	**80.2**	49.6
Growth-related partner contributions	**(95.4)**	-	**(95.4)**	(61.7)
Maintenance capital expenditure	**(71.0)**	-	**(71.0)**	(49.7)
Taxation	**(14.0)**	-	**(14.0)**	(20.4)
Finance costs	**(10.8)**	-	**(10.8)**	(6.9)
Finance lease liability arising on new leases	**(898.5)**	898.5	**-**	-
Other items	**283.4**	22.9	**306.3**	(6.1)
Cash flow before growth capital expenditure, share repurchases and dividends	**52.9**	332.2	**385.1**	75.7
Gross growth capital expenditure	**(229.4)**	(51.5)	**(280.9)**	(191.8)
Growth-related partner contributions	**95.4**	-	**95.4**	61.7
Net growth capital expenditure[8]	**(134.0)**	(51.5)	**(185.5)**	(130.1)
Total net cash flow from operations	**(81.1)**	280.7	**199.6**	(54.4)
Purchase of shares	**-**	-	**-**	-
Dividend received	**(38.9)**	-	**(38.9)**	(36.0)
Corporate financing activities	**1.2**	-	**1.2**	1.6
Opening net debt	**(5,969.7)**	5,508.9	**(460.8)**	(296.4)
Exchange movement	**(131.6)**	132.4	**0.8**	2.0
Closing net debt	**(6,220.1)**	5,922.0	**(298.1)**	(383.2)

[8] Net growth capital expenditure of £185.5m relates to the cash outflow in first six months of 2019. Accordingly, it includes capital expenditure related to locations added in 2018 and to be added in 2020, as well as those added in 2019. The total net investment in the period for 2018 and 2020 additions amounted to £41.0m

Capital investment

During the period, our net growth capital investment was £185.5m (H1 2018: £130.1m) which represented 114 locations and 3.0m sq. ft. of flexible space.

We currently have visibility on 2019 net growth capital investment of £260m, representing approximately 250 locations and 7.0m sq. ft. of additional space.

As planned, the Group's refurbishment programme stepped up in the period with maintenance capital expenditure increasing to £71.0m (H1 2018: £49.7m). After partner contributions received in the year, net maintenance capital expenditure was £54.1m (H1 2018: £39.1m). On a gross and a net basis, the investment in the period represented 5.3% and 4.0% of Group revenues. Both percentages are higher than in H1 2018, which was in line with management's expectations.

Increased funding support

As previously announced, we increased our Revolving Credit Facility in January 2019 from £750m to £950m and simultaneously improved the debt maturity profile by extending it to 2024 (previously 2023), with further options to extend to 2026.

The financial covenants on the increased Revolving Credit Facility are unchanged and are not affected by the lease liabilities recognised on the adoption of IFRS 16.

Foreign exchange

The Group's results are exposed to translation risk from the movement in currencies. During the first half of 2019 key individual exchange rates have moved, as shown in the table below. For the first half the movement in key exchange rates provided a tailwind.

Overall, the movement in exchange rates over the course of the first six months of the year increased revenue, gross profit and operating profit by £24.1m, £5.0m and £4.1m respectively.

Foreign exchange rates

	At 30 June			Half year average		
Per £ sterling	2019	2018	%	2019	2018	%
US dollar	1.27	1.32	(4)%	1.30	1.37	(5)%
Euro	1.12	1.13	(1)%	1.15	1.14	1%
Japanese yen	137	146	(6)%	142	149	(5)%

Risk management

Effective management of risk is an everyday activity for the Group and, crucially, integral to our growth planning. A detailed assessment of the principal risks and uncertainties which could impact the Group's long-term performance and the risk management structure in place to identify, manage and mitigate such risks can be found on pages 34 to 41 of the 2018 Annual Report and Accounts. The principal risks and uncertainties for the remaining six months of the year are unchanged from those noted in the Annual Report.

Related parties

There have been no changes to the type of related party transactions entered into by the Group that had a material effect on the financial statements for the six months ended 30 June 2019. Details of related party transactions that have taken place in the period can be found in note 11.

Dividends

A final dividend of 4.35p per share for 2018 was paid by the Group on 24 May 2019 following shareholder approval. In line with the Group's progressive dividend policy, the Board has increased the 2019 interim dividend by 10.3% to 2.15p per share (H1 2018: 1.95p). The interim dividend will be paid on 4 October 2019 to shareholders on the register at the close of business on 6 September 2019.

Eric Hageman
Chief Financial Officer
6 August 2019

Condensed Consolidated Financial Information

Interim consolidated income statement (unaudited)

£m	**Six months ended 30 June 2019**	Six months ended 30 June 2018 (Restated) [9]
Revenue	**1,302.4**	1,159.3
Cost of sales	**(1,008.6)**	(976.1)
Gross profit (centre contribution)	**293.8**	183.2
Selling, general and administration expenses	**(145.2)**	(131.8)
Share of loss of equity-accounted investees, net of tax	**(0.3)**	(1.0)
Operating profit	**148.3**	50.4
Finance expense	**(107.2)**	(5.9)
Finance income	**0.3**	0.2
Net finance expense	**(106.9)**	(5.7)
Profit before tax for the period from continuing operations	**41.4**	44.7
Income tax expense	**(4.6)**	(9.4)
Profit for the period from continuing operations	**36.8**	35.3
Profit after tax for the period from discontinued operations (note 3)	**263.0**	8.1
Profit for the period attributable to equity shareholders of the parent	**299.8**	43.4

[9] The comparative information has been restated to reflect the impact of discontinued operations

Interim consolidated statement of comprehensive income (unaudited)

£m	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Profit for the period	**299.8**	43.4
Other comprehensive income:		
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of changes in fair value	**(0.4)**	0.1
Foreign exchange recycled to profit or loss from discontinued operations (note 3)	**0.4**	-
Foreign currency translation differences for foreign operations	**(49.2)**	0.4
Items that are or may be reclassified to profit or loss in subsequent periods	**(49.2)**	0.5
Other comprehensive (loss)/income for the period, net of tax	**(49.2)**	0.5
Total comprehensive income for the period, net of tax	**250.6**	43.9

Earnings per ordinary share (EPS):	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Attributable to ordinary shareholders		
Basic (p)	**33.5**	4.8
Diluted (p)	**33.1**	4.7
From continuing operations		
Basic (p)	**4.1**	3.9
Diluted (p)	**4.1**	3.8

The above interim consolidated income statement and interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity (unaudited)

£m	Issued share capital	Treasury shares	Foreign currency translation reserve	Hedging reserve	Other reserves	Retained earnings	Total Equity
Balance at 1 January 2018	**9.2**	**(39.6)**	**63.2**	**0.2**	**25.8**	**668.9**	**727.7**
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	-	43.4	43.4
Other comprehensive income:							
Cash flow hedges-effective portion of changes in fair value	-	-	-	0.1	-	-	0.1
Foreign currency translation differences for foreign operations	-	-	0.4	-	-	-	0.4
Other comprehensive income, net of tax	**-**	**-**	**0.4**	**0.1**	**-**	**-**	**0.5**
Total comprehensive income for the period	**-**	**-**	**0.4**	**0.1**	**-**	**43.4**	**43.9**
Transaction with owners of the Company							
Share-based payments	-	-	-	-	-	1.0	1.0
Ordinary dividend paid (note 4)	-	-	-	-	-	(36.0)	(36.0)
Proceeds from exercise of share awards	-	4.0	-	-	-	(2.7)	1.3
Balance at 30 June 2018	**9.2**	**(35.6)**	**63.6**	**0.3**	**25.8**	**674.6**	**737.9**
Balance at 1 January 2019	**9.2**	**(74.1)**	**72.4**	**0.3**	**25.8**	**717.6**	**751.2**
Change in accounting policy (note 1)	-	-	(27.9)	-	-	(142.5)	(170.4)
Restated balance at 1 January 2019	9.2	(74.1)	44.5	0.3	25.8	575.1	580.8
Total comprehensive income for the period:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**299.8**	**299.8**
Other comprehensive income:							
Foreign exchange recycled to profit or loss from discontinued operations (note 3)	-	-	0.4	-	-	-	0.4
Cash flow hedges-effective portion of changes in fair value	-	-	-	(0.4)	-	-	(0.4)
Foreign currency translation differences for foreign operations	-	-	(49.2)	-	-	-	(49.2)
Other comprehensive income, net of tax	**-**	**-**	**(48.8)**	**(0.4)**	**-**	-	**(49.2)**
Total comprehensive income for the period	**-**	**-**	**(48.8)**	**(0.4)**	**-**	**299.8**	**250.6**
Transaction with owners of the Company							
Share-based payments	-	-	-	-	-	0.9	0.9
Ordinary dividend paid (note 4)	-	-	-	-	-	(38.9)	(38.9)
Proceeds from exercise of share awards	-	3.0	-	-	-	(1.7)	1.3
Balance at 30 June 2019	**9.2**	**(71.1)**	**(4.3)**	**(0.1)**	**25.8**	**835.2**	**794.7**

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim consolidated balance sheet

£m	Notes	**As at 30 June 2019 (unaudited)**	As at 31 December 2018 [10]
Non-current assets			
Goodwill	5	**673.9**	679.2
Other intangible assets	5	**42.5**	42.5
Right-of-use asset		**5,339.2**	-
Property, plant and equipment	6	**1,787.3**	1,751.2
Deferred tax assets		**116.2**	30.6
Non-current derivative financial asset	8	**-**	0.3
Other long-term receivables		**65.7**	86.0
Investments in joint ventures		**13.4**	12.2
Total non-current assets		**8,038.2**	2,602.0
Current assets			
Trade and other receivables		**617.9**	717.5
Corporation tax receivable		**34.0**	32.7
Cash and cash equivalents	7	**41.1**	69.0
Total current assets		**693.0**	819.2
Total assets		**8,731.2**	3,421.2
Current liabilities			
Trade and other payables (incl. customer deposits)		**852.6**	1,058.9
Deferred income		**319.7**	320.0
Corporation tax payable		**23.7**	31.0
Bank and other loans	7	**24.6**	9.9
Lease liabilities	7	**892.2**	-
Provisions		**11.9**	9.7
Total current liabilities		**2,124.7**	1,429.5
Non-current liabilities			
Other long-term payables		**454.4**	704.2
Bank and other loans	7	**314.6**	519.9
Lease liabilities	7	**5,029.8**	-
Non-current derivative financial liability	8	**0.1**	-
Deferred tax liability		**-**	-
Provisions		**5.5**	9.4
Provision for deficit on joint ventures		**5.9**	5.5
Retirement benefit obligations		**1.5**	1.5
Total non-current liabilities		**5,811.8**	1,240.5
Total liabilities		**7,936.5**	2,670.0
Total equity			
Issued share capital		**9.2**	9.2
Treasury shares		**(71.1)**	(74.1)
Foreign currency translation reserve		**(4.3)**	72.4
Hedging reserve		**(0.1)**	0.3
Other reserves		**25.8**	25.8
Retained earnings		**835.2**	717.6
Total equity		**794.7**	751.2
Total equity and liabilities		**8,731.2**	3,421.2

[10] Based on the audited financial statements for the year ended 31 December 2018. These balances have not been restated as the Group adopted the modified retrospective approach on transition to IFRS 16.

The above interim consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of cash flows (unaudited)

£m	Notes	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Profit before tax for the period from continuing operations		**41.4**	44.7
Adjustments for:			
Profit from discontinued operations	3	**12.0**	9.6
Net finance expense		**106.9**	5.7
Share of loss on equity-accounted investees, net of income tax		**0.3**	1.0
Depreciation charge – Right-of-use asset		**476.5**	-
Depreciation charge – Other property, plant and equipment		**116.0**	105.8
Loss on disposal of property, plant and equipment	6	**3.6**	6.0
Loss on disposal of intangible assets		**0.3**	-
Impairment of property, plant and equipment		**1.3**	0.1
Amortisation of intangible assets		**4.9**	5.1
Amortisation of acquired lease fair value adjustment		**(0.6)**	(1.0)
Negative goodwill arising on an acquisition		**-**	(6.2)
Decrease in provisions		**(5.7)**	(2.3)
Share-based payments		**0.9**	1.0
Other non-cash movements		**(2.3)**	(4.7)
Operating cash flows before movements in working capital		**755.5**	164.8
Decrease / (increase) in trade and other receivables		**36.3**	(18.2)
Increase in trade and other payables		**49.8**	67.8
Cash generated from operations		**841.6**	214.4
Interest paid		**(11.1)**	(7.1)
Tax paid		**(14.0)**	(20.4)
Net cash inflows from operating activities		**816.5**	186.9
Investing activities			
Purchase of property, plant and equipment	6	**(291.1)**	(238.1)
Purchase of subsidiary undertakings (net of cash acquired)	12	**(4.3)**	(2.5)
Purchase of intangible assets		**(5.0)**	(0.9)
Proceeds on the sale of discontinued operations, net of cash disposed of	3	**301.7**	-
Proceeds on sale of property, plant and equipment	6	**0.4**	0.1
Other investing activities		**(1.1)**	0.2
Interest received		**0.3**	0.2
Cash inflows / (outflows) from investing activities		**0.9**	(241.0)
Financing activities			
Proceeds from issue of loans	7	**411.0**	847.6
Repayment of loans	7	**(603.0)**	(766.9)
Payment of lease liability	7	**(617.8)**	-
Proceeds from exercise of share awards		**1.3**	1.3
Payment of ordinary dividend	4	**(38.9)**	(36.0)
Cash (outflows) / inflows from financing activities		**(847.4)**	46.0
Net decrease in cash and cash equivalents	7	**(30.0)**	(8.1)
Cash and cash equivalents at beginning of period	7	**69.0**	55.0
Effect of exchange rate fluctuations on cash held	7	**2.1**	1.9
Cash and cash equivalents at end of period	7	**41.1**	48.8

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Interim Consolidated Financial Information (unaudited)

Note 1: Basis of preparation and accounting policies

IWG plc is a public limited company incorporated in Jersey and registered and domiciled in Switzerland. The Company's ordinary shares are traded on the London Stock Exchange. IWG plc owns a network of business centres which are utilised by a variety of business customers.

The unaudited condensed interim consolidated financial information as at and for the six months ended 30 June 2019 included within the half yearly report:

- was prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as adopted by the European Union ("adopted IFRS"), and therefore does not include all disclosures that would otherwise be required in a complete set of financial statements. Selected explanatory notes are included to understand events and transactions that are significant to understand the changes in the Group's financial position and performance since the last IWG plc Annual Report and Accounts for the year ended 31 December 2018;
- was prepared in accordance with the Disclosure and Transparency Rules ("DTR") of the Financial Conduct Authority;
- comprise the Company and its subsidiaries (the "Group") and the Group's interests in jointly controlled entities;
- do not constitute statutory accounts as defined in Companies (Jersey) Law 1991. A copy of the statutory accounts for the year ended 31 December 2018 has been filed with the Jersey Companies Registry. Those accounts have been reported on by the Company's auditors and the report of the auditors was (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report. These accounts are available from the Company's website - www.iwgplc.com; and
- the condensed consolidated interim financial information was approved by the Board of Directors on 6 August 2019.

In preparing this condensed consolidated interim financial information, the significant judgments made by management and the key sources of estimation of uncertainty were the same as those that applied to the Report and Accounts for the year ended 31 December 2018 except for the changes arising from IFRS 16. The basis of preparation and accounting policies set out in the Report and Accounts for the year ended 31 December 2018 have been applied in the preparation of this half yearly report, except for the adoption of new standards and interpretations effective as of 1 January 2019, which did not have a material effect on the Group's financial statements with the exception of IFRS 16, unless otherwise indicated.

The following standards, interpretations and amendments to standards were applicable to the Group for periods commencing on or after 1 January 2019:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	
Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)	
Annual Improvements to IFRSs 2015 – 2017 Cycle	
Prepayment features with Negative Compensation (Amendments to IFRS 9)	
Amendments to References to Conceptual Framework in IFRS Standards	

The following new or amended standards and interpretations that are mandatory for 2020 annual periods (and future years) are not expected to have a material impact on the Company:

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Change in accounting policy - IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The impact of applying IFRS 16 on the financial statements in the period of initial application depended on a variety of factors, including the Group's borrowing rate and credit rating, external interest rates, country risk factors, the composition of the Group's lease portfolio, the Group's assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. Taking these considerations into account, on transition:

- The Group adopted the modified retrospective approach, choosing to measure the right-of-use asset at the retrospective amount as if IFRS 16 had been applied from lease commencement date. The difference between the right-of use asset and the related lease liability is recognised directly in retained earnings after tax.
- In determining the right-of-use asset and lease liability to be recognised, the Group adopted an incremental borrowing rate for its leases. This rate was determined by taking currency specific interest rates based on 5-year external market rates (where available, which reflect the average centre lease duration) and then considering adjustments to reflect subsidiary/country specific credit ratings and adjustments to reflect the level of collateral. This incremental borrowing rate will be updated annually and applied to leases completed in the subsequent year.

- The right-of-use asset recognised is being depreciated over the life of the lease. The life of the lease reflects the contracted lease term and any renewal periods that the Group is reasonably certain to extend.

The most significant impact identified is the right-of-use asset and related lease liability the Group recognised for its leases in respect of its global network, which were recognised based on the modified retrospective approach. The Group recorded a right-of-use asset of £5,024.9 and a related lease liability of £5,508.9m at 1 January 2019.

The standard has no impact on the actual cash flows or cash generation per share of the Group. However, as the standard requires the capitalisation and subsequent depreciation of costs that are expensed as paid, the disclosures of cash flows within the cash flow statement are impacted. The amounts previously disclosed as operating cash outflows are instead capitalised and presented as financing cash outflows.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 3.7%.

The following tables summarise the opening balance impact, on transition to IFRS 16:

£m	Property, plant & equipment	Deferred tax asset	Trade & other receivables	Corporation tax receivable
Balance reported at 1 January 2019	1,751.2	30.6	717.5	32.7
Right-of-use asset & related lease liability	5,024.9	–	–	–
Other adjustments[11]	(148.6)	–	(95.0)	–
Taxation	–	86.7	–	–
Restated balance at 1 January 2019	**6,627.5**	**117.3**	**622.5**	**32.7**

£m	Lease liabilities – Short term	Lease liabilities – Long term	Trade & other payables	Foreign currency translation reserve	Reserves
Balance reported at 1 January 2019	–	–	1,058.9	72.4	717.6
Right-of-use asset & related lease liability	851.0	4,657.9	–	(27.9)	(456.1)
Other adjustments[11]	–	–	(470.5)	–	226.9
Taxation	–	–	–	–	86.7
Restated balance at 1 January 2019	**851.0**	**4,657.9**	**588.4**	**44.5**	**575.1**

(11) Summarised in the pro-forma statements provided on pages 27 to 29

The following table reconciles the operating lease commitment at 31 December 2018 to the lease liability recognised at 1 January 2019:

	£m
Operating lease commitment at 31 December 2018 as disclosed in the Group's Annual Report and Accounts	6,641.5
Discounted using the incremental borrowing rate at 1 January 2019	(1,132.6)
Finance lease liabilities recognised at 1 January 2019	**5,508.9**
Recognition exemption for leases of low-value assets	–
Recognition exemption for leases with less than 12 months of lease term at transition	–
Extension options reasonably certain to be exercised	–
Lease liabilities recognised at 1 January 2019	**5,508.9**

The current period IFRS 16 impact on the reported income statement at 30 June 2019 is summarised in the pro forma statements provided on pages 27 to 29.

The Group also considered the impact of lessor accounting, which is not considered to be material.

The Group adopted the exemptions permitted in respect of short-term and low value leases, which are not material due to the relatively low number of these types of leases.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the covenant requirements on its revolving credit facility described in note 8.

Summary of new accounting policies

The new accounting policies of the Group upon adoption of IFRS 16 is as follows:

- Right-of-use assets

  The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and initial direct costs incurred. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

  Right-of-use assets are subject to impairment.

- Lease liabilities

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as a rent expense in the period in which it is incurred.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

  The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from commencement). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as a rent expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options and the incremental borrowing rate

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This will take into account the length of time remaining before the option is exercisable, macro-economic environment, socio-political environment and other lease specific factors. The determination of applicable incremental borrowing rates at the commencement of lease contracts also requires judgement.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing studies, that in most jurisdictions it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Group has, where considered appropriate, provided for the potential impact of uncertain tax positions where the likelihood of tax authority adjustment is considered to be more likely than not. The interpretation did not have an impact on the consolidated financial statements of the Group.

Change in estimate

The useful life of certain property, plant and equipment were revised in 2019, from 5-years to 10-years (note 6).

Seasonality

The majority of the Group's revenue is contracted and is therefore not subject to significant seasonal fluctuations. Demand based revenue (from products such as Meeting Rooms and Customer Services) is impacted by seasonal factors within the year, particularly around summer and winter vacation periods. This fluctuation leads to a small seasonal profit bias to the second half year compared to the first half. However, this seasonal bias is often hidden by other factors, which drive changes in the pattern of profit delivery such as the addition of new centres or changes in demand or prices.

Going concern

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

Note 2: Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. An operating segment's results are reviewed regularly by the chief operating decision maker (the Board of Directors of the Group) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The disaggregated performance, supporting the operating segment's results, is presented in the table below in accordance with IFRS 15.

The business is run on a worldwide basis but managed through four principal geographical segments (the Group's operating segments): Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and the United Kingdom. These geographical segments exclude the Group's non-trading, holding and corporate management companies. The results of business centres in each of these regions form the basis for reporting geographical results to the chief operating decision maker. All reportable segments are involved in the provision of global workplace solutions.

The Group's reportable segments operate in different markets and are managed separately because of the different economic characteristics that exist in each of those markets. Each reportable segment has its own discrete senior management team responsible for the performance of the segment.

The accounting policies of the operating segments are the same as those described in the Annual Report and Accounts for the Group for the year ended 31 December 2018.

Six months ended	**Americas**		**EMEA**		**Asia Pacific**		**United Kingdom**		**Other**		**Total**	
30 June	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	**2018**
£m												
Revenues from external customers [12]	**583.7**	493.7	**345.5**	295.0	**166.9**	151.7	**202.3**	216.5	**4.0**	2.4	**1,302.4**	**1,159.3**
Mature	***543.8***	***469.1***	***287.6***	***278.5***	***139.4***	***137.7***	***180.1***	***188.9***	***4.0***	***2.4***	***1,154.9***	***1,076.6***
2018 Expansions	***29.7***	***2.5***	***39.3***	***2.3***	***18.9***	***0.8***	***15.8***	***4.5***	***-***	***-***	***103.7***	***10.1***
2019 Expansions	***3.3***	***-***	***9.8***	***-***	***0.9***	***-***	***2.4***	***-***	***-***	***-***	***16.4***	***-***
Closures [12]	***6.9***	***22.1***	***8.8***	***14.2***	***7.7***	***13.2***	***4.0***	***23.1***	***-***	***-***	***27.4***	***72.6***
Gross profit (centre contribution)	**181.3**	78.4	**70.2**	51.4	**18.0**	19.6	**18.8**	33.3	**5.5**	0.5	**293.8**	**183.2**
Share of loss of equity-accounted investees	**-**	-	**(0.3)**	(1.0)	**-**	-	**-**	-	**-**	-	**(0.3)**	**(1.0)**
Operating profit	**148.9**	48.0	**30.7**	18.2	**4.2**	4.3	**2.8**	25.8	**(38.3)**	(45.9)	**148.3**	50.4
Finance expense											**(107.2)**	**(5.9)**
Finance income											**0.3**	**0.2**
Profit before tax for the period											**41.4**	**44.7**
Depreciation and amortisation	**264.5**	56.3	**148.0**	19.7	**103.4**	15.1	**90.9**	14.8	**4.9**	5.0	**611.7**	110.9
Assets	**3,960.3**	1,288.0	**1,266.5**	636.2	**1,853.8**	409.8	**1,533.8**	617.1	**116.8**	80.4	**8,731.2**	3,031.5
Liabilities	**(3,780.6)**	(920.9)	**(1,971.1)**	(410.3)	**(659.5)**	(265.5)	**(1,237.7)**	(290.4)	**(287.6)**	(406.5)	**(7,936.5)**	(2,293.6)
Net assets / (liabilities)	**179.7**	367.1	**(704.6)**	225.9	**1,194.3**	144.3	**296.1**	326.7	**(170.8)**	(326.1)	**794.7**	737.9
Non-current asset additions [13]	**574.5**	90.4	**280.9**	53.2	**164.9**	34.0	**152.9**	46.2	**16.4**	15.2	**1,189.6**	239.0

[12] Excludes revenue from discontinued operations of £46.9m (2018: £44.7m) (note 3)

[13] Excluding deferred taxation

Operating profit in the "Other" category is generated from services related to the provision of workspace solutions, including fees from franchise agreements, offset by corporate overheads.

Note 3: Discontinued operations

On 31 May 2019, the Group completed the sale of its Japanese operations to TKP Corporation for a consideration of £301.7m. The positive financial impact of the transaction is treated as discontinued operations in accordance with IFRS 5, however the operations under franchise in Japan will continue to be an important strategic component of the overall Group network. This transaction forms part of the larger change in strategy of the Group towards adopting a franchising model.

£m	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Revenue	**46.9**	44.7
Expenses	**(34.9)**	(35.1)
Profit before tax for the period	**12.0**	9.6
Income tax expense	**(3.4)**	(1.5)
Profit after tax for the period	**8.6**	8.1
Gain on sale of discontinued operations	**254.4**	-
Profit for the period, net of tax	**263.0**	8.1

The assets and liabilities of the Japanese operations as at 31 May 2019 were as follows:

£m	**30 June 2019**
Total Assets	256.7
Total Liabilities	(215.1)
Net assets	**41.6**
Costs directly associated with the disposal (including foreign exchange recycled to profit and loss)	5.7
	47.3
Consideration on disposal (net of cash and debt)	301.7
Gain on sale of discontinued operations	**254.4**

The net cash flows incurred by the Japanese operations are as follows:

£m	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Operating	**7.3**	10.9
Investing	**(9.8)**	(4.0)
Financing	**2.5**	(6.4)
Net cash inflow	**-**	0.5

Note 4: Dividends

Equity dividends on ordinary shares paid during the period:

£m	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Final dividend for the year ended 31 December 2018: 4.35 pence per share (2017: 3.95 pence per share) paid on 24 May 2019	**38.9**	36.0

Note 5: Goodwill and indefinite life intangible assets

As at 30 June 2019, the carrying value of the Group's goodwill and indefinite life intangible assets was £673.9m and £11.2m respectively (31 December 2018: £679.2m and £11.2m respectively). The last annual review of the carrying value of the goodwill and indefinite life intangible was performed as at 30 September 2018 and will be reassessed during the last quarter of 2019. There were no impairments recognised in the period ended 30 June 2019.

Note 6: Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired assets with a cost of £291.1m (30 June 2018: £238.1m). Assets with a net book value of £4.0m (30 June 2018: £6.1m) were disposed of during the period for £0.4m (30 June 2018: £0.1m).

Capital expenditure authorised and contracted for but not provided for in the accounts amounted to £161.5m (30 June 2018: £78.4m).

Change in estimate

The Group conducted a review of the estimated useful life for property, plant and equipment. On 1 January 2019, the expected useful life for certain asset categories were adjusted to more accurately reflect the period over which the assets are expected to be available for use by the Group. The positive effect of these changes on the depreciation expense, recognised in costs of sales, in the current period and expected in future years is as follows:

£m	H1 2019	2019	2020	2021	2022	2023	After
Impact on the income statement	**7.8**	**14.5**	**8.9**	**4.3**	**0.3**	**(3.7)**	**(24.3)**

Note 7: Analysis of financial assets / (liabilities)

£m	**At 1 Jan 2019**	**Cash flow**	**Non cash movements**	**Exchange movement**	**At 30 June 2019**
Cash and cash equivalents	69.0	(30.0)	-	2.1	41.1
Gross cash	**69.0**	**(30.0)**	**-**	**2.1**	**41.1**
Debt due within one year – Lease liabilities	(851.0)	617.8	(640.6)	(18.4)	(892.2)
Debt due within one year – Other	(9.9)	(14.2)	-	(0.5)	(24.6)
Debt due after one year – Lease liabilities	(4,657.9)	-	(257.9)	(114.0)	(5,029.8)
Debt due after one year – Other	(519.9)	206.2	-	(0.9)	(314.6)
Gross debt	**(6,038.7)**	**809.8**	**(898.5)**	**(133.8)**	**(6,261.2)**
Net financial liabilities	**(5,969.7)**	**779.8**	**(898.5)**	**(131.7)**	**(6,220.1)**

Cash, cash equivalents and liquid investment balances held by the Group that are not available for use (''Blocked Cash'') amounted to £5.5m at 30 June 2019 (31 December 2018: £4.2m).

Of this balance, £2.8m (31 December 2018: £1.9m) is pledged as security against outstanding bank guarantees and a further £2.7m (31 December 2018: £2.3m) is pledged against various other commitments of the Group.

Non cash movements consist primarily of the additional lease liability associated with new leases entered in the period.

Note 8: Financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts included in the consolidated statement of financial position, are as follows:

£m	**At 30 June 2019** Carrying amount	Fair value	At 31 December 2018 Carrying amount	Fair value
Cash and cash equivalents	**41.1**	**41.1**	69.0	69.0
Trade and other receivables [14]	**515.6**	**515.6**	503.2	503.2
Other long-term receivables	**62.6**	**62.6**	82.4	82.4
Derivative financial assets:				
Interest rate swaps				
• Inflow	**-**	**-**	0.3	0.3
Financial assets [15]	**619.3**	**619.3**	654.9	654.9
Non-derivative financial liabilities [16]:				
Bank loans & other corporate borrowings	**(307.2)**	**(307.2)**	(505.4)	(505.4)
Lease liabilities and other loans [17]	**(5,954.0)**	**(5,954.0)**	(24.4)	(24.4)
Trade and other payables [18]	**(970.5)**	**(970.5)**	(830.9)	(830.9)
Other long-term payables [18]	**(3.0)**	**(3.0)**	(6.4)	(6.4)
Derivative financial liabilities:				
Interest rate swaps				
• Outflow	**(0.1)**	**(0.1)**	-	-
Financial liabilities	**(7,234.8)**	**(7,234.8)**	(1,367.1)	(1,367.1)
Unrecognised gain		**-**		-

[14] Excluding prepayments and accrued income
[15] Financial assets, excluding cash and cash equivalents and derivative financial instruments, are all held at amortised cost
[16] All financial instruments are classified as variable rate instruments
[17] Including lease liabilities
[18] Excluding deferred partner contributions

The undiscounted cash flow and fair values of these instruments is not materially different from the carrying value.

There has been no change in the classification of financial assets and liabilities, the methods and assumptions used in determining fair value and the categorisation of financial assets and liabilities within the fair value hierarchy from those disclosed in the annual report for the year ended 31 December 2018.

Trade and other payables are impacted by the release of inactive customer deposits of £5.2m identified as part of ongoing active management of working capital.

The Group maintains a revolving credit facility provided by a group of international banks. In the period to 30 June 2019, the amount of the facility was increased from £750.0m to £950.0m with the final maturity extended to May 2024.

The debt provided under the bank facility is floating rate, however, as part of the Group's balance sheet management and to protect against a future increase in interest rates, £50.0m was swapped into a fixed rate liability at an average fixed rate of 1.0% maturing £20.0m in December 2019 and £30.0m in February 2021, and $30.0m was swapped into a fixed rate of 1.8% maturing in December 2019.

The £950.0m credit facility is subject to financial covenants relating to EBITDA, and EBITDA plus rent to interest plus rent. The Group is in compliance with all covenant requirements.

Note 9: Share-based payment

During the period, the Group awarded 552,451 options (2018: nil) under the Share Option Plan, 1,058,578 share awards (2018: 1,278,350) under the Performance Share Plan and 112,014 share awards (2018: nil) under the Deferred Share Bonus Plan.

Note 10: Bank guarantees and contingent liabilities

The Group has bank guarantees and letters of credit held with certain banks amounting to £156.9m (31 December 2018: £152.7m). There are no material lawsuits pending against the Group.

Note 11: Related parties

The nature of related parties as disclosed in the consolidated financial statements for the Group for the year ended 31 December 2018 has not changed.

£m	Management fees received from related parties	Amounts owed by related party	Amounts owed to related party
At 30 June 2019			
Joint Ventures	**1.8**	**15.3**	**3.6**
At 30 June 2018			
Joint Ventures	2.2	9.9	1.8

As at 30 June 2019, £nil of the amounts due to the Group have been provided for (31 December 2018: £nil). Transactions with related parties did not have a material effect on the financial results for the six months ended 30 June 2019.

During the period the Group acquired goods and services from a company indirectly controlled by a director of the Group amounting to £5,227 (30 June 2018: £27,310).

Compensation paid to the key management personnel of the Group will be disclosed in the Group's Annual Report and Accounts for the year ending 31 December 2019.

Note 12: Acquisitions of subsidiaries and non-controlling interest

Current period acquisitions

There were no acquisitions during the six month period ended 30 June 2019. Deferred consideration of £4.3m was also paid during the current period with respect to milestones achieved on prior year acquisitions.

Prior period acquisitions

During the six month period ended 30 June 2018 the Group made a number of individually immaterial acquisitions for a total consideration of £1.6m.

£m	Book value on acquisition	Provisional fair value recognised on acquisition	Final fair value recognised on acquisition
Net assets acquired			
Property, plant and equipment	0.5	-	0.5
Cash	0.6	-	0.6
Other current and non-current assets	0.5	-	0.5
Current liabilities	(1.0)	-	(1.0)
	0.6	-	**0.6**
Goodwill arising on acquisition			1.0
Total consideration			**1.6**
Less: Deferred consideration			0.5
			1.1
Cash flow on acquisition			
Cash paid			1.1
Net cash outflow			**1.1**

The goodwill arising on the above acquisitions reflects the anticipated future benefits the Group can obtain from operating the businesses more efficiently, primarily through increasing occupancy and the addition of value-adding services. £0.4m of the above goodwill is expected to be deductible for tax purposes.

If the above acquisitions had occurred on 1 January 2018, the revenue and net retained loss arising from these acquisitions would have been £1.4m and £0.3m respectively. In the period the equity acquisitions contributed revenue of £0.7m and net retained profit of £0.2m.

There was £0.5m deferred consideration arising on the above acquisitions. Contingent consideration of £2.0m was also paid during the period with respect to milestones achieved on prior year acquisitions.

The external acquisition costs associated with these transactions were £0.1m.

The prior year comparative information has not been restated due to the immaterial nature of the final fair value adjustments recognised in 2019.

Note 13: Events after the balance sheet date

On 6th August 2019, the Group announced a £100m share repurchase programme.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the Directors confirm to the best of his knowledge:

1. That the condensed consolidated interim financial statements comprising the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and profit or loss for the period ended 30 June 2019.

2. That the interim management report herein includes a fair review of the information required by:

  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the Annual Report and Accounts 2017 that could do so.

Signed on behalf of the Board

Mark Dixon	Eric Hageman
Chief Executive Officer	Chief Financial Officer

6 August 2019

This half yearly announcement contains certain forward looking statements with respect to the operations of IWG plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

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Independent Review Report to IWG plc

Introduction

We have reviewed the accompanying condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes ('the condensed consolidated interim financial information'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

Cliona Mullen 6 August 2019

For and on behalf of KPMG
Chartered Accountants, Statutory Audit firm
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Alternative performance measures

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS') which represents the generally accepted accounting principles ('GAAP') under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information, when viewed in conjunction with our IFRS financial information as follows:

• to evaluate the historical and planned underlying results of our operations;

• to set director and management remuneration; and

• to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

Please refer to page 139 of the IWG plc 2018 Annual Report and Accounts for further details.

Additional information has been provided on the following pages to bridge the statutory information reported within this half-year announcement with the performance presented as part of the Chief Executive Officer's and Chief Financial Officers' review.

Available workstations
The total number of workstations in the Group (also termed Inventory). During the year, this is expressed as a weighted average. At period ends the absolute number is used

Centre contribution
Gross profit comprising centre revenue less direct operating expenses but before administrative expenses

Closures
A closure for the current year is defined as a centre closed during the period from 1 January to December of the current year A closure for the prior year comparative is defined as a centre closed from 1 January of the prior year to December of the current year

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

EBITDA (adjusted)
Earnings before interest, tax, depreciation and amortisation adjusted for the financial impact of the growth estate and network rationalisation

EBITDA (annualised)
Earnings before interest, tax, depreciation and amortisation for the period, grossed up for twelve months

EBITDA (pre-2018)
Earnings before interest, tax, depreciation and amortisation adjusted for the financial impact of the growth estate

EBITDA (LTM)
Earnings before interest, tax, depreciation and amortisation based on a rolling last twelve months performance

EPS
Earnings per share

Expansions
A general term which includes new business centres established by the Group and acquired centres in the year

Growth estate
Comprises centres which opened during the current or prior financial year

IAS 17 basis
IFRS accounting standards effective as at 31 December 2018 (i.e. before the effective date of IFRS 16)

Like-for-like
The financial performance from centres owned and operated for a full 12-month period prior to the start of the financial year, which therefore have a full-year comparative

Occupancy
Occupied workstations divided by available workstations expressed as a percentage

Occupied workstations
Workstations which are in use by clients. This is expressed as a weighted average for the year

Open centres
All centres excluding closures

Operating profit (adjustment)
Operating profit adjusted for the financial impact of growth centres and network rationalisation

Operating profit before growth
Reported operating profit adjusted for the gross profit impact arising from centres opening in the current year and centres to be opened in the subsequent year

Pre-2018 business
Operations owned for a full 12-month period prior to the start of the financial year and operated throughout the current financial year, which therefore have a full-year comparative

Pre-2018 gross margin
Gross margin attributable to the Pre-2018 business

Pre-IFRS 16
IFRS accounting standards effective as at 31 December 2018 (i.e. before the effective date of IFRS 16)

REVPAW
Total revenue per available workstation (revenue/available workstations)

REVPOW
Total revenue per occupied workstation

ROI
Return on investment

TSR
Total shareholder return

WIPOW
Workstation income per occupied workstation

IAS 17 PRO FORMA Statements

Interim consolidated income statement

The purpose of these unaudited pages is to provide a reconciliation from the 2019 interim financial results to the pro forma statements in accordance with the previous IAS 17 policies adopted by the Group, and thereby, giving the reader greater insight into the impact of IFRS 16 on the results of the Group.

Continuing operations	Period ended 30 June 2019 As reported £m	Rent & finance costs £m	Depreciation £m	Other adjustments £m	Taxation £m	Period ended 30 June 2019 per IAS 17 £m
Revenue	1,302.4	–	–	–	–	**1,302.4**
Cost of sales	(1,008.6)	(561.2)	470.6	(6.9)	–	(1,106.1)
Gross profit (centre contribution)	293.8	(561.2)	470.6	(6.9)	–	**196.3**
Selling, general and administration expenses	(145.2)	–	–	(0.2)	–	(145.4)
Share of loss of equity-accounted investees, net of tax	(0.3)	–	–	–	–	(0.3)
Operating profit	148.3	(561.2)	470.6	(7.1)	–	**50.6**
Finance expense	(107.2)	99.1	–	–	–	(8.1)
Finance income	0.3	–	–	–	–	0.3
Net finance expense	(106.9)	99.1	–	–	–	**(7.8)**
Profit before tax for the period from continuing operations	41.4	(462.1)	470.6	(7.1)	–	**42.8**
Income tax expense	(4.6)	–	–	–	(0.5)	(5.1)
Profit after tax for the period from continuing operations	36.8	(462.1)	470.6	(7.1)	(0.5)	**37.7**
Profit after tax for the period from discontinuing operations	263.0	(14.0)	14.3	(6.1)	–	**257.2**
Profit for the period	299.8	(476.1)	484.9	(13.2)	(0.5)	**294.9**
Earnings per ordinary share (EPS):						
Attributable to ordinary shareholders						
Basic (p)	33.5					**32.9**
Diluted (p)	33.1					**32.5**
From continuing operations						
Basic (p)	4.1					**4.2**
Diluted (p)	4.1					**4.2**

Pro forma adjustments recognised

The performance of the Group is impacted by the following significant adjustments from adopting IFRS 16. The recognition of these balances does not impact the overall cash flows of the Group or the cash generation per share.

1. Right-of-use asset & related lease liability
   These adjustments reflect the right-of-use asset recognised on transition, together with the related lease liability. The initial lease liability is equal to the present value of the lease payments during the lease term that have not yet been paid. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, plus any additional direct costs associated with setting up the lease.
2. Rent & finance costs
   Since the adoption of IFRS 16 conventional rent charges are no longer recognised in the profit or loss. The payments associated with these charges instead form part of the lease payments used in calculating the right-of-use asset and related lease liability noted above. The lease liability is measured in subsequent periods using the effective interest rate method, based on the applicable interest rate determined at the date of transition. The related finance costs arising on subsequent measurement are recognised directly through profit or loss.
3. Depreciation & lease payments
   Depreciation on the right-of-use asset recognised is depreciated over the life of the lease on a straight-line basis, adjusted for any period between the lease commencement date and the date the related centre opens, reflecting the lease related costs directly incurred in preparing the business centre for trading. Lease payments reduce the lease liability recognised in the balance sheet.
4. Other adjustments
   On transition, the remaining net book value of costs previously capitalised, such as costs directly incurred in preparing the business centre for trading (i.e. as part of property, plant and equipment), are de-recognised and eliminated directly against retained earnings.
5. Taxation
   The underlying tax charge is impacted by the change in the profit before tax and deferred tax assets recognised.

Interim consolidation balance sheet

	Period ended 30 June 2019 As reported £m	Right-of-use asset & related lease liability £m	Rent & finance costs £m	Depreciation & lease payments £m	Other adjustments £m	Taxation £m	Period ended 30 June 2019 per IAS 17 £m
Non-current assets							
Goodwill	673.9	–	–	–	–	–	**673.9**
Other intangible assets	42.5	–	–	–	–	–	**42.5**
Right of use asset	5,339.2	(5,782.2)	–	437.8	5.2	–	–
Property, plant and equipment	1,787.3	–	153.4	(5.9)	–	–	**1,934.8**
Deferred tax assets	116.2	–	–	–	–	(73.8)	**42.4**
Non-current derivative financial assets	-	–	–	–	–	–	**–**
Other long-term receivables	65.7	–	–	–	–	–	**65.7**
Investments in joint ventures	13.4	–	–	–	–	–	**13.4**
Total non-current assets	8,038.2	(5,782.2)	153.4	431.9	5.2	(73.8)	**2,772.7**
Current assets							
Trade and other receivables	617.9	–	129.3	–	–	–	**747.2**
Corporation tax receivable	34.0	–	–	–	–	(3.3)	**30.7**
Cash and cash equivalents	41.1	–	–	–	–	–	**41.1**
Total current assets	693.0	–	129.3	–	–	(3.3)	**819.0**
Total assets	8,731.2	(5,782.2)	282.7	431.9	5.2	(77.1)	**3,591.7**
Current liabilities							
Trade and other payables (incl. customer deposits)	852.6	–	185.5	–	–	–	**1,038.1**
Deferred income	319.7	–	–	–	–	–	**319.7**
Corporation tax payable	23.7	–	–	–	–	10.9	**34.6**
Bank and other loans	24.6	–	–	–	–	–	**24.6**
Lease liabilities	892.2	(969.4)	4.3	72.9	–	–	–
Provisions	11.9	–	–	–	0.3	–	**12.2**
Total current liabilities	2,124.7	(969.4)	189.8	72.9	0.3	10.9	**1,429.2**
Non-current liabilities							
Other long-term payables	454.4	–	354.7	–	–	–	**809.1**
Bank and other loans	314.6	–	–	–	–	–	**314.6**
Lease liabilities	5,029.8	(5,407.0)	(96.7)	473.9	–	–	**–**
Non-current derivative financial assets	0.1	–	–	–	–	–	**0.1**
Deferred tax liability	-	–	–	–	–	–	**–**
Provisions	5.5	–	–	–	2.0	–	**7.5**
Provision for deficit in joint ventures	5.9	–	–	–	–	–	**5.9**
Retirement benefit obligations	1.5	–	–	–	–	–	**1.5**
Total non-current liabilities	5,811.8	(5,407.0)	258.0	473.9	2.0	–	**1,138.7**
Total liabilities	7,936.5	(6,376.4)	447.8	546.8	2.3	10.9	**2,567.9**
Total equity							
Issued share capital	9.2	–	–	–	–	–	**9.2**
Treasury shares	(71.1)	–	–	–	–	–	**(71.1)**
Foreign currency translation reserve	(4.3)	117.3	–	(53.0)	27.9	–	**87.9**
Hedging reserve	(0.1)	–	–	–	–	–	**(0.1)**
Other reserves	25.8	–	–	–	–	–	**25.8**
Retained earnings	835.2	476.8	(165.0)	(61.9)	(25.0)	(88.0)	**972.1**
Reported balance / profit for the period	977.7	(7.2)	65.0	(61.9)	(0.2)	(1.3)	**972.1**
Directly in reserves – on adoption of IFRS 16	(142.5)	484.0	(230.0)	–	(24.8)	(86.7)	**–**
Total equity	794.7	594.1	(165.0)	(114.9)	2.9	(88.0)	**1,023.8**
Total equity and liabilities	8,731.2	(5,782.3)	282.8	431.9	5.2	(77.1)	**3,591.7**

Interim consolidated statement of cash flows

£m	**Period ended 30 June 2019 As reported £m**	Rent & finance costs £m	Depreciation & lease payments £m	Other adjustments £m	**Period ended 30 June 2019 per IAS 17 £m**
Profit before tax for the period	**41.4**	**63.5**	**(61.9)**	**(0.2)**	**42.8**
Adjustments for:					
Profit from discontinued operations	12.0	0.4	-	-	12.4
Net finance expense	106.9	(99.1)	-	-	7.8
Share of loss on equity-accounted investees, net of income tax	0.3	-	-	-	0.3
Depreciation charge – Right-of-use asset	476.5	14.3	(490.8)	-	**-**
Depreciation charge – Other property, plant and equipment	116.0	-	5.9	-	121.9
Loss on disposal of property, plant and equipment	3.6	7.2	-	-	10.8
Loss on disposal of intangible assets	0.3	-	-	-	0.3
Impairment of property, plant and equipment	1.3	-	-	-	1.3
Amortisation of intangible assets	4.9	-	-	-	4.9
Amortisation of acquired lease fair value adjustment	(0.6)	-	-	-	(0.6)
Decrease in provisions	(5.7)	-	-	0.2	(5.5)
Share-based payments	0.9	-	-	-	0.9
Other non-cash movements	(2.3)	-	-	0.1	(2.2)
Operating cash flows before movements in working capital	**755.5**	**(13.7)**	**(546.8)**	**0.1**	**195.1**
Decrease / (increase) in trade and other receivables	36.3	(85.8)	-	-	(49.6)
Increase in trade and other payables	49.8	79.9	-	-	129.8
Cash generated from operations	**841.6**	**(19.6)**	**(546.8)**	**0.1**	**275.3**
Interest paid	(11.1)	-	-	-	(11.1)
Tax paid	(14.0)	-	-	-	(14.0)
Net cash inflows from operating activities	**816.5**	**(19.6)**	**(546.8)**	**0.1**	**250.2**
Investing activities					
Purchase of property, plant and equipment	(291.1)	(51.5)	-	-	(342.6)
Purchase of subsidiary undertakings (net of cash acquired)	(4.3)	-	-	-	(4.3)
Purchase of intangible assets	(5.0)	-	-	-	(5.0)
Proceeds on the sale of discontinued operations, net of cash disposed of	301.7	-	-	-	301.7
Proceeds on sale of property, plant and equipment	0.4	-	-	-	0.4
Other investing activities	(1.1)	-	-	-	(1.1)
Interest received	0.3	-	-	-	0.3
Cash inflows / (outflows) from investing activities	**0.9**	**(51.5)**	**-**	**-**	**(50.6)**
Financing activities					
Net proceeds from issue of loans	411.0	-	-	-	411.0
Repayment of loans	(603.0)	-	-	-	(603.0)
Payment of lease liability	(617.8)	-	617.8	-	**-**
Proceeds from exercise of share awards	1.3	-	-	-	1.3
Payment of ordinary dividend	(38.9)	-	-	-	(38.9)
Cash (outflows) / inflows from financing activities	**(847.4)**	**-**	**617.8**	**-**	**(229.6)**
Net decrease in cash and cash equivalents	(30.0)	(71.0)	71.0	0.1	(30.0)
Cash and cash equivalents at beginning of period	69.0	-	-	-	69.0
Effect of exchange rate fluctuations on cash held	2.1	-	-	-	2.1
Cash and cash equivalents at end of period	**41.1**	**(71.0)**	**71.0**	**0.1**	**41.1**

Segmental analysis – management basis

Six months ended 30 June 2019	Americas (IAS 17 basis)	EMEA (IAS 17 basis)	Asia Pacific (IAS 17 basis)	UK (IAS 17 basis)	Other (IAS 17 basis)	Total (IAS 17 basis)
Pre-2018 (1)						
Workstations (4)	**183,869**	**116,479**	**81,754**	**86,499**	**-**	**468,601**
Occupancy (%)	**77.1%**	**76.8%**	**72.4%**	**72.0%**	**-**	**75.2%**
Revenue (£m)	**543.8**	**287.6**	**139.4**	**180.1**	**4.0**	**1,154.9**
Contribution (£m)	**132.0**	**61.1**	**20.7**	**20.7**	**5.5**	**240.0**
Impact of IFRS 16	**55.0**	**18.6**	**(3.4)**	**12.0**	**-**	**82.2**
Contribution (£m) - Statutory	**187.0**	**79.7**	**17.3**	**32.7**	**5.5**	**322.2**
REVPOW (£)	**3,837**	**3,216**	**2,356**	**2,892**	**-**	**3,276**
2018 Expansions (2)						
Workstations (4)	**18,931**	**35,611**	**16,064**	**13,515**	**-**	**84,121**
Occupancy (%)	**57.7%**	**49.6%**	**46.8%**	**46.0%**	**-**	**50.3%**
Revenue (£m)	**29.7**	**39.3**	**18.9**	**15.8**	**-**	**103.7**
Contribution (£m)	**(6.9)**	**(5.7)**	**(4.3)**	**(8.4)**	**-**	**(25.3)**
Impact of IFRS 16	**5.3**	**(3.4)**	**(0.5)**	**1.9**	**-**	**3.4**
Contribution (£m) - Statutory	**(1.6)**	**(9.1)**	**(4.8)**	**(6.5)**	**-**	**(21.9)**
2019 Expansions (2)						
Workstations (4)	**4,508**	**9,916**	**3,605**	**4,436**	**-**	**22,465**
Occupancy (%)	**24.1%**	**33.8%**	**11.8%**	**24.5%**	**-**	**26.5%**
Revenue (£m)	**3.3**	**9.8**	**0.9**	**2.4**	**-**	**16.4**
Contribution (£m)	**(4.1)**	**(0.3)**	**(1.4)**	**(2.4)**	**-**	**(8.2)**
Impact of IFRS 16	**(0.4)**	**(2.7)**	**(3.9)**	**0.1**	**-**	**(7.0)**
Contribution (£m) - Statutory	**(4.5)**	**(3.0)**	**(5.3)**	**(2.3)**	**-**	**(15.2)**
Closures						
Workstations (4)	**3,272**	**2,485**	**3,033**	**2,603**	**-**	**11,393**
Occupancy (%)	**60.5%**	**63.2%**	**54.0%**	**41.2%**	**-**	**55.0%**
Revenue (£m)	**6.9**	**8.8**	**7.7**	**4.0**	**-**	**27.4**
Contribution (£m)	**(1.9)**	**2.2**	**(4.2)**	**(6.3)**	**-**	**(10.2)**
Impact of IFRS 16	**2.2**	**0.4**	**15.0**	**1.3**	**-**	**18.9**
Contribution (£m) - Statutory	**0.3**	**2.6**	**10.8**	**(5.0)**	**-**	**8.7**
Total						
Workstations (4)	**210,580**	**164,491**	**104,456**	**107,053**	**-**	**586,580**
Occupancy (%)	**73.9%**	**68.1%**	**65.8%**	**66.0%**	**-**	**69.4%**
Revenue (£m) (6)	**583.7**	**345.5**	**166.9**	**202.3**	**4.0**	**1,302.4**
Contribution (£m) (6)	**119.1**	**57.3**	**10.8**	**3.6**	**5.5**	**196.3**
Impact of IFRS 16	**62.2**	**12.9**	**7.2**	**15.2**	**-**	**97.5**
Contribution (£m) - Statutory	**181.3**	**70.2**	**18.0**	**18.8**	**5.5**	**293.8**
REVPAW (£)	**2,772**	**2,100**	**1,598**	**1,890**	**-**	**2,220**
Period end workstations (5)						
Pre-2018	**188,638**	**118,476**	**83,763**	**87,595**	**-**	**478,472**
2018 Expansions	**18,993**	**35,743**	**16,018**	**14,288**	**-**	**85,042**
2019 Expansions	**6,932**	**18,311**	**6,920**	**6,858**	**-**	**39,021**
Total	**214,563**	**172,530**	**106,701**	**108,741**	**-**	**602,535**

Segmental analysis – management basis (continued)

Six months ended 30 June 2018	Americas (IAS 17 basis)	EMEA (IAS 17 basis)	Asia Pacific (IAS 17 basis)	UK (IAS 17 basis)	Other (IAS 17 basis)	Total (IAS 17 basis)
Pre-2018 (1)						
Workstations (4)	186,761	113,250	82,113	81,569	-	463,693
Occupancy (%)	72.8%	73.4%	69.4%	70.1%	-	71.8%
Revenue (£m)	469.1	278.5	137.7	188.9	2.4	1,076.6
Contribution (£m)	84.2	54.5	21.8	30.2	0.3	191.0
REVPOW (£)	3,450	3,350	2,416	3,304	-	3,234
2018 Expansions (2)						
Workstations (4)	3,966	6,136	2,288	1,934	-	14,324
Occupancy (%)	21.7%	20.5%	15.3%	32.1%	-	21.6%
Revenue (£m)	2.5	2.3	0.8	4.5	-	10.1
Contribution (£m)	(3.2)	(2.4)	(1.0)	0.8	0.1	(5.7)
Closures (3)						
Workstations (4)	9,231	5,887	7,342	8,201	-	30,661
Occupancy (%)	64.7%	66.4%	60.8%	65.9%	-	64.4%
Revenue (£m)	22.1	14.2	13.2	23.1	-	72.6
Contribution (£m)	(2.5)	(0.7)	(1.2)	2.3	-	(2.1)
Total						
Workstations (4)	199,958	125,273	91,743	91,704	-	508,678
Occupancy (%)	71.4%	70.3%	67.3%	68.9%	-	69.9%
Revenue (£m) (6)	493.7	295.0	151.7	216.5	2.4	1,159.3
Contribution (£m) (6)	78.5	51.4	19.6	33.3	0.4	183.2
REVPAW (£)	2,469	2,355	1,654	2,361	-	2,279

(1) The Pre-2018 business comprises centres opened on or before 31 December 2017

(2) Expansions include new centres opened and acquired businesses

(3) A closure for the 2018 comparative data is defined as a centre closed during the period from 1 January 2018 to 30 June 2019

(4) Workstation numbers are calculated as the weighted average for the period

(5) Workstations available at period end

(6) From continuing operations