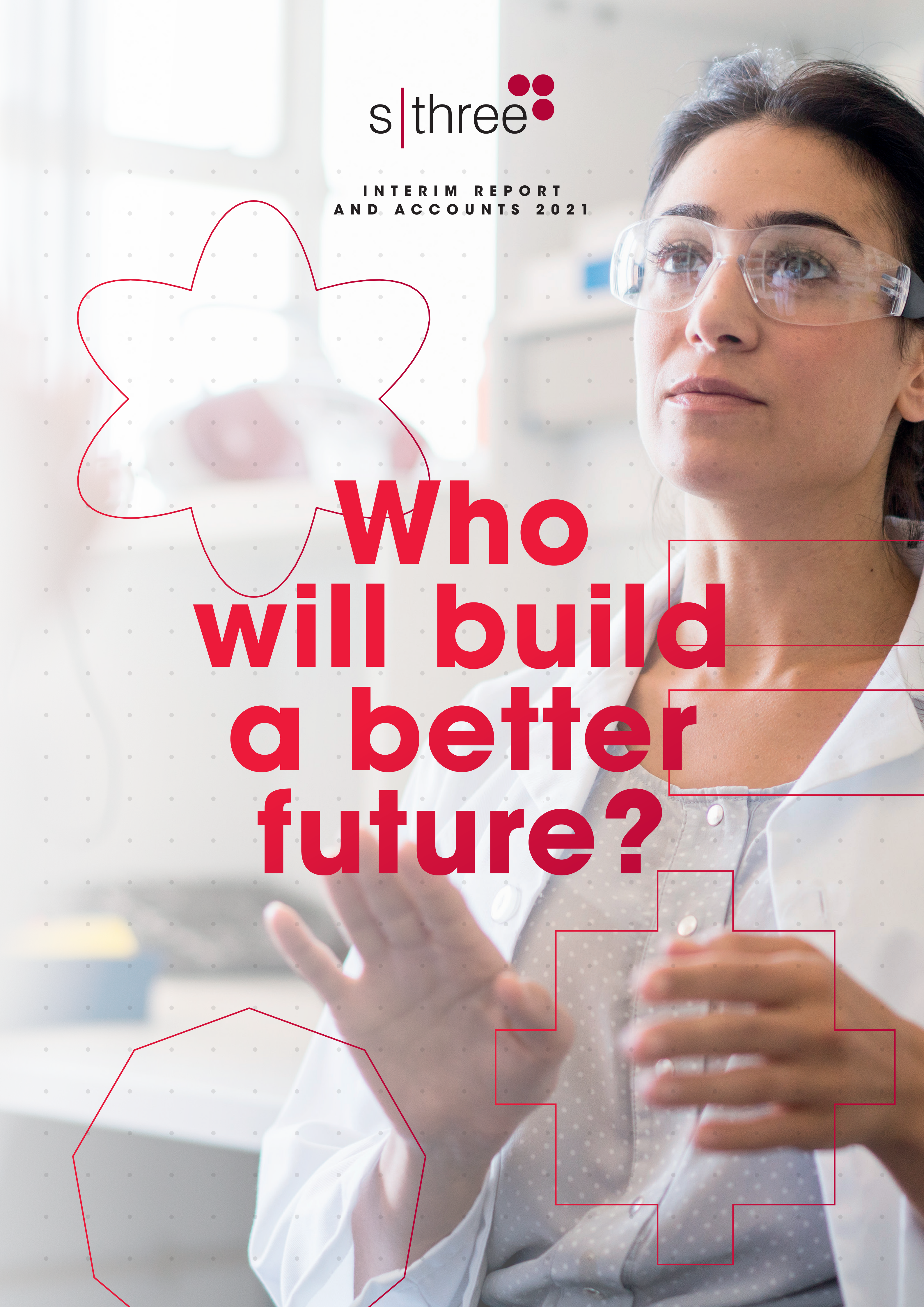
s|three

INTERIM REPORT AND ACCOUNTS 2021



Who will build a better future?

SThree plc
("SThree" or the "Group")

RESULTS FOR THE HALF YEAR ENDED 31 MAY 2021

STRONG PROFIT GROWTH VERSUS 2020 & 2019

CURRENTLY TRACKING AHEAD OF FY21 EXPECTATIONS

SThree plc, the only global pure-play specialist staffing business focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), is today announcing its financial results for the six months ended 31 May 2021.

FINANCIAL HIGHLIGHTS

	HY 2021		HY 2020		*Variance*	
Continuing operations [(1)]	***Adjusted*** [(2)]	***Reported***	*Adjusted* [(2)]	*Reported*	*Movement* [(3)]	*Constant currency movement* [(4)]
Revenue (£ million)	**615.1**	**615.1**	596.0	596.0	+3%	+4%
Net fees (£ million)	**164.3**	**164.3**	149.9	149.9	+10%	+10%
Operating profit (£ million)	**28.1**	**28.2**	13.9	14.3	+102%	+106%
Conversion ratio (%)	**17.1%**	**17.2%**	9.2%	9.5%	+7.9% pts	+8.0% pts
Profit before tax (£ million)	**27.6**	**27.7**	13.1	13.6	+110%	+114%
Basic earnings per share (pence)	**14.4**	**14.5**	6.1	6.4	+136%	+140%
Interim dividend per share (pence)	**3.0**	**3.0**	nil	nil	n/a	n/a
Net cash (£ million) [(5)]	**47.5**	**47.5**	31.0	31.0	+53%	+53%

(1) Excluding discontinued operations in Australia.
(2) Excluding the impact of £0.1 million in net exceptional income recognised (HY 2020: £0.4 million).
(3) Variance compares adjusted HY 2021 against adjusted HY 2020 to provide a like-for-like view.
(4) Variance compares adjusted HY 2021 against adjusted HY 2020 on a constant currency basis, whereby the prior period foreign exchange rates are applied to current and prior financial period results to remove the impact of exchange rate fluctuations.
(5) Net cash represents cash and cash equivalents less borrowings and bank overdrafts and excluding leases.

HALF-YEAR HIGHLIGHTS

- Very strong operating profit growth, up 106% *(1)*, driven by better market conditions, high demand for STEM skills, and elevated contractor working hours that improved productivity.
- Net fees up 10% YoY:
    - Strong growth achieved in DACH *(2)* and the USA.
    - Life Sciences and Technology net fees up significantly across the Group.
    - Q2 net fees up 22% YoY (21% adjusted for working days *(3)*).
- Contract and Permanent net fees up 8% and 18% respectively YoY.
- Contractor order book *(4)* up 33% YoY.
- Top five countries represent 86% of Group net fees, with Germany accounting for 33% and USA 25%.
- Strong balance sheet with net cash as at 31 May 2021 of £47.5 million (HY 2020: £31.0 million).
- Interim dividend approved at 3 pence per share, set at a level consistent with dividend cover target for the year in the range of 2.5x to 3.0x.
- Making good progress against our ESG targets, including
    - Over 16,500 lives positively impacted in HY 2021.
    - SThree's renewables business (6% of net fees) up 37% versus HY 2020, ahead of our target to double the share of this business by 2024.

As Q2 2020 was significantly impacted by COVID-19, the Group has provided comparisons against 2019 for net fees and profit. The growth seen in 2021 vs 2019, across several regions and sectors, as well as for the Group, demonstrates very strong underlying performance across all of our businesses and the relevance of its differentiated, STEM-focused offering. Highlights vs 2019 include:

- Q2 net fees up 8% vs 2019.
- Group net fees for HY up 3% vs 2019.
- Adjusted operating profit up 18% vs 2019.

(1) All YoY growth rates are expressed at constant currency and exclude Australia, which we exited in Q4 2020.
(2) DACH - Germany, Austria and Switzerland.
(3) Q2 2021 has one more working day vs Q2 2020 and flat vs Q2 2019.
(4) The contractor order book represents value of net fees until contractual end dates, assuming all contractual hours are worked.

Mark Dorman, CEO, commented:
"We are delighted to report strong overall performance in the first half, driven by the hard work of our teams across the globe. Our profit has grown substantially from HY 2020, and has surpassed the pre-pandemic levels of 2019, reflecting the strength of the business and our growth trajectory.

Profit growth was driven by improving market conditions, including especially strong demand for STEM skills, and productivity growth.

We are making good progress towards our key strategic ambitions, taking market share in our core regions and investing in our infrastructure to build a world class operational platform.

In line with our commitment to building a sustainable future for all, we are proud to report that over 16,500 lives were positively impacted by SThree in the first half of the 2021 financial year. We significantly strengthened our position as talent providers to the low carbon transition and grew our renewables business by 37% in the first half of 2021 compared to HY 2020.

The momentum built across the first half has continued into current trading, with strong KPIs on new placement activity and contractor retention rates; consequently, we now anticipate we will be ahead of current market consensus expectations for FY 2021.

As previously communicated, we remain mindful of changing contractor behaviour and annual leave backlogs in the second half. We will be increasing investment in our people and our "go-to-market" proposition in the coming months, which, although crucial in driving our long-term success, will impact on productivity in the short term. Nevertheless, we continue to be focused on the execution of our strategy, whatever the external circumstances, and remain fully committed to the ongoing delivery of the long-term ambitions for all of our stakeholders."

Analyst conference call
SThree is hosting a webinar for analysts today at 09:30 GMT. If you would like to register for the webinar, please contact SThree@almapr.co.uk

A video overview of the results from the CEO, Mark Dorman, and CFO, Alex Smith, is available to watch here: https://bit.ly/STEM_H1_overview

SThree will issue its Q3 trading update on 13 September 2021.

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Notes to editors
SThree plc brings skilled people together to build the future. It is the only global pure-play specialist staffing business focused on roles in Science, Technology, Engineering and Mathematics ('STEM'), providing permanent and flexible contract talent to a diverse base of over 9,000 clients in 14 countries.

The Group's c.2,600 staff cover the Technology, Life Sciences, Engineering and Banking & Finance sectors.

SThree plc is quoted on the Premium Segment of the Official List of the Financial Conduct Authority under the ticker symbol STEM and also has a US level one ADR facility, symbol SERTY.

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

We are proud to deliver a strong set of first half results. Our purpose of 'bringing skilled people together to build the future' and our strategy, positioned at the centre of the secular trends of STEM and flexible working, enabled us to deliver a strong performance despite the ongoing uncertainty in the external environment. It is evident from our performance that we have the right strategy, are in the right markets, and our teams are executing well against our strategy. I would like to take this opportunity to sincerely thank our people, who have persevered despite the circumstances to achieve these results.

We continue to implement a number of strategic initiatives including strengthening our leadership capability and building diversity and inclusion across the business, in line with our focus on finding, developing and retaining great people. At the same time, we are investing in our technology infrastructure, our marketing and communications team and our go-to-market positioning, as part of our strategy to create a world-class operational platform. Our core purpose guides the business and therefore our position as a responsible business is central to all we do; I am pleased to provide further details on progress against our ESG commitments in this report.

While progress is being made in the vaccination programmes under way in our key markets, this is a global health crisis with a greater human impact globally in the first half of 2021 than the whole of 2020. The crisis continues, and our operations remain in the 'ongoing management' stage of our three-stage crisis response framework. In a number of markets, we are putting in place our policy around hybrid working, in which our people will be able to choose the most effective balance between home and office working, leading to greater workplace flexibility and the ability to attract diverse and top talent in every market.

Financial performance overview

The Group's trading performance in the first half was strong, with a pleasing performance in Q1 accelerating into Q2, with excellent results across all regions and sectors. We are delighted to record net fees of £164.3m, a 10% increase in constant currency on the prior year, with both Contract and Permanent performing well. This compares favourably against the pre-COVID operating environment, and we achieved growth versus 2019, demonstrating the relevance of our offering.

Adjusted operating profit for the period was £28.1 million (reported operating profit was £28.2 million). This was driven primarily by net fee growth, as well as increased productivity per head which was up 32% YoY in the period. While we expect this to revert to more normal levels as less hours are worked on average per day as COVID-19 restrictions ease, we still aim to retain an increased level of productivity compared to 2019 as we increase investment in headcount, by leveraging the operational improvements we have established over the last year.

STEM skills in demand

Over the last six months, demand for our specialist STEM candidates has risen significantly which is reflected in the increase in underlying placement activity. A proportion of this is the result of a general rebound in the overall recruitment market, but there is no doubt that the demand for STEM skills is higher than the majority of the market and has been accelerated by the pandemic. The call for STEM expertise is also coming from a broader client base than before, as businesses in every sector are employing people with these particular skills.

Over the period we leveraged our position at the centre of STEM to ensure we have the best pipeline of candidates, through initiatives including nurturing specialist candidate communities and encouraging new entrants to the market with educational virtual events.

Technology and Life Sciences have been in particular demand in the period, with net fees up 12% and 24% in constant currency, respectively. Within Technology, skills such as Mobile Development and Business Intelligence/data have seen increasing demand, as businesses focus on re-building their supply chains and business operations for a more digital world. For example, our US business supplied 30 roles into a large regional store chain in the period, to help the client upgrade its content management systems, improve its site and its mobile app to better connect with customers.

Life Sciences has clearly been at the forefront over the past six months, and this trend should continue as investment in healthcare increases and the sector becomes increasingly digital. Deloitte predicts that health spending will be US$8.3 trillion in the USA alone by 2040[1]. Across our markets we see strong demand for Clinical Operations, Quality Assurance, Clinical Research & Development skills. As an example, one of our clients, a major medical device organisation, was faced in 2021 with new legislation requiring automation of quality management systems to ensure a more stringent digital process. Over the past six months we partnered them, placing 10 subject matter experts onto the project who were able to accurately guide it to FDA compliance.

Flexible working

The secular trend of flexible working has accelerated as a result of the pandemic and the increased adoption of technology. We believe that working habits have changed forever as businesses and candidates adopt new working practices for the long term. There is a global move towards increased use of contingent workforces, shorter job tenures and rapidly growing societal preferences towards remote or hybrid working arrangements.

The requirements of clients and contractors are now more complicated than before and, as a result, the potential opportunities are broader. For example, with the rise of remote working, clients have access to larger pools of talent, as they are not restricted to recruiting candidates within their close proximity. Tighter regulation has also meant that contractors place more value on working with fully compliant recruiters, and all businesses must manage different challenges such as virtual onboarding, cultural integration and structuring hybrid working.

Within the broader demand for flexible working, we are now seeing the Employed Contractor Model ('ECM') becoming increasingly

[1] Based on article "Breaking the Cost Curve" by Deloitte published on 9 February 2021 (https://www2.deloitte.com/xe/en/insights/industry/health-care/future-health-care-spending.html).

popular. ECM, where contractors are directly employed by SThree rather than the client, has many benefits including the removal of complexity and compliance concerns for our clients. It is the predominant model in the US and fast growing in Europe. For SThree, it brings attractive margins, c.40% higher than the freelance model. We have seen ECM grow as a proportion of our Contract net fees, from 22% in 2019, to 29% in 2020, reaching 31% in 2021.

As experienced providers of both Permanent and Contract staff we offer our clients fully compliant, end-to-end, full-service staffing solutions. We respond at scale to the most complex STEM hiring needs. We are increasingly finding this point of differentiation means we are gaining market share.

Building a sustainable future

Our purpose of 'bringing skilled people together to build the future' guides all our activities. We are committed to empowering a sustainable future through STEM.

The Group's long-term commitment to the environment and society has laid the foundations for our ESG strategy, which focuses on three key areas of building:

- a green future;
- an inclusive workforce for the future;
- on our business ethics.

These areas are aligned with the United Nations Sustainable Development Goals and are integral to the successful execution of the Group's broader growth strategy.

We are delighted to have strengthened our position as talent providers to the low-carbon transition, including growing our renewables business by 37% in the first half of 2021 compared to HY 2020, ahead of our target to double the share of this business by 2024. To engage both clients and candidates in the growth of renewable energy we delivered learning and development events to over 160 people in the energy industry in the first half of 2021.

We are passionate about gender equality in STEM and collaborated with clients to deliver impactful events to their colleagues and to women within our candidate community. In the first half of this year, we delivered 14 events to support women in the tech industry, with over one thousand people attending on topics such as self-advocacy, imposter syndrome and equal pay.

The Group's ESG targets and initial progress delivered were outlined in our Impact Report published on 29 April 2021 and we continue to see strong progress against our targets:

	To positively impact 150,000 lives by 2024	**To double the share of our global renewables business by 2024**	**To reduce our absolute carbon emissions by 20% by 2024**	**To increase gender representation at leadership levels to 50/50 by 2024**
Progress	40,425 lives positively impacted by SThree since 1 Dec 2019.	37% growth in our renewables net fees in HY YoY.	-56% reduction in 2020 from 2019 (baseline year).	36% women in leadership positions.
2021 half year activities	**16,532 lives positively impacted:** 10,345 accessed Decent Work through SThree placements. 1,644 accessed our career support programme. 1,770 accessed community programmes we support. 2,773 accessed career development opportunities hosted by SThree.	At HY 2021 our renewables business has increased by 47% versus HY 2019 (baseline year). Completed climate related scenario analysis for the energy market to identify risks and opportunities.	-73% carbon reduction in HY in comparison to 2020. (Please note COVID-19 restrictions continue to impact our offices and therefore carbon emissions.)	Maintained levels of women represented across leadership roles.
Alignment to strategic pillars	Deliver sustainable value to our candidates and customers. Find, develop and retain great people.	To be a leader in the best STEM markets we chose to serve.	Create a world-class operational platform through data, technology and infrastructure.	Find, develop and retain great people.
Relevant UN Sustainable Development Goals	SDG 4. Quality Education SDG 8. Decent Work and economic growth SDG 10. Reduced inequalities	SDG 7. Affordable and clean energy SDG 13. Climate action SDG 17. Partnerships for the goals	SDG 13. Climate action	SDG 10. Reduced inequalities

Strategy and execution

Our strategic pillars guide how we drive the business and reflect how we build on our unique position in the market:

1. Leveraging our position at the centre of STEM to deliver sustainable value to our candidates and clients.
2. Create a world-class operational platform through data, technology and infrastructure.
3. To be a leader in the markets we choose to serve.
4. Find, develop and retain great people.

We made good progress in the period, for example, in finding, retaining and developing great people with the strengthening of the senior team. At Board level, this includes the recent appointment of Andrew Beach as CFO designate. Andrew has over 13 years' experience in listed companies and global experience of business transformation; we are confident he will be very valuable to the business as we pursue long-term sustainable growth. We appointed a new President of the US business, Sunny Akerman, who brings experience in driving significant growth, reflecting the strength of our ambitions in the region - the biggest global STEM market and one which is highly fragmented. To help us further articulate our unique position in the market and reflecting the importance of the more complex information landscape we operate in, we have also appointed Rebecca Matts as the Group Communications Director to lead our Corporate Communications and Corporate Affairs.

Diversity, Equality and Inclusion has never been more of an imperative, both internally at SThree as well as for our clients. In the first half we launched several projects to drive these values across the business and move us towards our stated goal of increasing gender representation at all leadership levels to 50/50 by 2024. This includes updating our talent acquisition and career progression processes. In addition, we have designed and developed in-house executive leadership DE&I training, grown our DE&I network, and delivered key awareness days and internal webinars with over 1,000 attendees. We recognise the importance of external expertise and have partnered with leading experts to advance our knowledge and strategy; this includes our CEO Action Pledge in the US and Investing in Ethnicity in the UK. More detail on our Diversity, Equality and Inclusion work is available in the ESG Impact Report published in April 2021.

Keeping in mind our 2024 ambitions, as outlined at the 2019 Capital Markets Day, we have also maintained a focus on taking market share and improving productivity. We are confident we have continued to make sustainable gains in both over the period. Investments in our world-class operational platform include opening a number of offices as well as upgrading our technology to reduce risk. The strides we have made improving our operational execution are demonstrated in the continued growth of our net promoter score, which stands at 53 over the first half, up one point on FY 2020.

Current trading and outlook

The second half began strongly, as the sales activity momentum built across the first half continued into current trading. New placement activity remains buoyant, contractor retention rates are strong, and consequently the Group now anticipates it will be ahead of current market consensus expectations for FY 2021.

As previously communicated, we remain mindful of changing contractor behaviour and annual leave backlogs in the second half. We will be increasing investment in our people and our “go-to-market” proposition in the coming months, which, although crucial in driving our long-term success, will impact on productivity in the short term. Nevertheless, we continue to be focused on the execution of our strategy, whatever the external circumstances, and we remain fully committed to the ongoing delivery of the long-term ambitions for all of our stakeholders.

GROUP OPERATIONAL REVIEW

Overview

The Group is encouraged by its performance in the first half with net fees up 10%* and strong growth achieved in Q2 (up 22%* YoY) following a Q1 performance which was pleasing against a challenging backdrop (down 1%YoY). The Group is well diversified. Its top five countries representing 86% of Group net fees, with Germany accounting for 33% and USA 25%.

Net fees were also up 3%* on HY 2019, with a strong Q2 performance in Contract up 6%* driven by the majority of our top countries. We saw strong growth in Permanent net fees in Q2 up 13%* driven by our two largest Permanent markets, USA and Germany.

Our strategic focus on our Contract business continues to deliver good growth with net fees up 8%* YoY in HY and up 18%* in Q2. The contractor order book increased by 33%* YoY (Q1 up 1%* YoY), reflecting the high demand for skilled contractors across our markets. Our Contract business accounts for 74% of Group net fees.

Permanent net fees were up 18%* YoY in HY driven by a rise of 36%* in Q2 as we saw a strong rebound in demand for Permanent placements. DACH and USA, our two largest Permanent markets, were up 13%* and 57%* respectively YoY. Our Japan business, which is predominately Permanent, saw net fees grow by 24%* YoY.

Adjusted operating profit was £28.1 million (HY 2020: £13.9 million), up 106%* YoY and we are well positioned for the second half of the year as we continue to make targeted investments and benefit from a strong contractor book. Encouragingly, adjusted operating profit was also up 18%* on 2019 levels.

Group period-end headcount was down 14% YoY with average headcount down 16% YoY. Sequentially, Group headcount is down 3% on the year-end 2020. Over the next six months we will be accelerating our headcount investment, in line with our previously stated strategy to focus on specific niches within sectors and markets where we continue to drive market share gains. We increased productivity per head 32% YoY in the period, although we do expect this to normalise to some extent. Our ambition overall is to use what we have learned in the last year and retain an increased focus on productivity alongside headcount growth, as we continue to deliver our 2024 ambitions.

In what has been a challenging period for our teams, the quality of our management and increasing expertise in our niche markets is driving us forward on our journey to become the number one STEM talent provider in the best global STEM markets. We are committed to ensuring that SThree is well positioned over the long term and are confident we can continue to exploit the accelerating secular trends of STEM and flexible working across global markets and deliver our long-term ambitions.

** In constant currency*

Group

Net fees by division

	Growth year-on-year *(In constant currency)*			HY 2021 Mix	
	Contract	**Permanent**	**Total**	**Contract**	**Permanent**
Q1 21	(2%)	-	(1%)	75%	25%
Q2 21	+18%	+36%	+22%	74%	26%
HY 21	+8%	+18%	+10%	74%	26%

Breakdown of net fees	**HY 2021**	**HY 2020**	**FY 2020**
Geographical split			
EMEA excluding DACH	36%	40%	38%
DACH	36%	33%	34%
USA	25%	24%	25%
APAC	3%	3%	3%
	100%	**100%**	**100%**
Sector split			
Technology	47%	45%	45%
Life Sciences	24%	22%	23%
Engineering	20%	22%	22%
Banking & Finance	7%	9%	8%
Other sectors	2%	2%	2%
	100%	**100%**	**100%**

Business Mix

Contract is well suited to our STEM market focus and geographical mix, and it remained the key area of focus throughout the period.

Our Contract business showed good growth, testament to the strength of our strategy and ongoing demand for contractors, with net fees up 8%* in the period. Average Contract sales headcount was down in the period, though we saw strong productivity growth across all regions. Contract now accounts for 74% of Group net fees. Contract margin is at 21.3% up from 20.3% in HY 2020. The period ended with contractor numbers of 10,041 (HY 2020: 8,774), up 14% YoY.

Our Permanent business saw net fees increase 18%* in the period. DACH, our largest Permanent market was up 13%* in the period with USA net fees up 57%*. Our business in Japan saw growth of 24%*. We have seen an increase in Permanent average fee up 4%* YoY in the period. Whilst average Permanent sales headcount was down in the half year, we saw strong productivity growth across all regions and investing strategically in our key Permanent markets will be a core focus in the period ahead.

** In constant currency*

Operational review by reporting segment

EMEA excluding DACH (36% of Group net fees)

Net fees by division

	Growth year-on-year *(In constant currency)*			HY 2021 Mix	
	Contract	Permanent	Total	Contract	Permanent
Q1 21	(11%)	(27%)	(14%)	87%	13%
Q2 21	+9%	+18%	+10%	85%	15%
HY 21	(2%)	(7%)	(2%)	86%	14%

EMEA excluding DACH is our largest region comprising businesses in Belgium, Dubai. France, Ireland, Luxembourg, the Netherlands, Spain and the UK.

The Netherlands, our largest country in the region, delivered a robust performance in the period with net fees up 8%*. Notable performances were delivered in Life Sciences, up 13%* YoY, driven by increased placements across Clinical Research and Development and Quality Assurance, as well as Engineering up 24%* YoY, with particular focus on Project Management and Construction. Contract was up 8%* in the period and Permanent up 7%*.

The UK saw progress during the first half, with net fees starting to grow in Q2. We are also encouraged by improving productivity in the region. Life Sciences saw growth of 6%* in the period with strong demand from the healthcare sector. Contract net fees were down 7%* with Permanent net fees down 8%*.

France net fees were down 9%* with Dubai net fees declining 14%* and Belgium down 13%* for the period.

Average headcount for the region was down 25% YoY, with period-end headcount down 23%.

** In constant currency*

DACH (36% of Group net fees)

Net fees by division

	Growth year-on-year *(In constant currency)*			HY 2021 Mix	
	Contract	Permanent	Total	Contract	Permanent
Q1 21	+1%	+6%	+3%	63%	37%
Q2 21	+33%	+20%	+28%	69%	31%
HY 21	+17%	+13%	+16%	66%	34%

DACH is our second largest region comprising businesses in Austria, Germany and Switzerland, with Germany accounting for 91% of net fees.

The region delivered a strong performance in the first half, up 16%* YoY, with our Technology business up 25%* and Life Sciences business up 21%* YoY. Technology was driven by demand in Software Development and Infrastructure. Life Sciences saw demand in Quality Assurance and Clinical Research and Development skills.

DACH, which is our largest Permanent market, saw strong growth in net fees up 13%* YoY with Contract net fees growing 17%*.

Germany's net fees were up 15%* YoY with Technology and Life Sciences both up 24%* YoY. Switzerland saw net fees grow 15%* and Austria increased net fees by 31%*.

Average headcount was down 12% YoY, with period-end headcount also down at 9%.

** In constant currency*

USA (25% of Group net fees)

Net fees by division

	Growth year-on-year *(In constant currency)*			HY 2021 Mix	
	Contract	Permanent	Total	Contract	Permanent
Q1 21	+14%	+37%	+19%	78%	22%
Q2 21	+16%	+74%	+28%	71%	29%
HY 21	+15%	+57%	+24%	74%	26%

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

Our US business demonstrated its sustained strength with net fees up 24%* YoY and 22%* vs 2019. We saw high demand in our key sectors. Life Sciences, our largest sector, saw strong growth of 30%* YoY, with robust demand in Clinical Operations, Quality Assurance and Product Development. Net fees in Engineering saw a growth of 12%* YoY, driven by renewable energy-focused Construction. Our growing Technology sector saw net fees increase by 33%* YoY with increased demand in Mobile Applications, Adobe, Salesforce and Software Development.

Contract net fees were up 15%* YoY, with Life Sciences up 17%*, Technology up 33%* and Engineering up 11%*.

Our Permanent business, the second largest for the Group, saw net fees perform very strongly, up 57%* YoY, with growth across all our sectors. Life Sciences was the standout performer growing 73%*, with Technology and Engineering both up 29%*.

Average headcount was down 15% YoY, with period-end headcount down 11%.

** In constant currency*

APAC (3% of Group net fees)

Net fees by division

	Growth year-on-year *(In constant currency)*			HY 2021 Mix	
	Contract	Permanent	Total	Contract	Permanent
Q1 21	(2%)	(17%)	(14%)	20%	80%
Q2 21	+18%	+69%	+59%	16%	84%
HY 21	+8%	+22%	+20%	17%	83%

Our APAC business principally includes Japan and Singapore and accounts for 3% of Group net fees.

APAC net fees were up 20%* YoY in the period, with Japan our largest country in the region, up 23%*.

Our Japan business is predominantly Permanent and saw Permanent net fees grow 24%* YoY, driven by Technology up 29%* and Life Sciences up 65%*. Singapore net fees were up 11%*.

Average headcount was down 9% YoY, with period-end headcount down 10%.

** In constant currency*

CHIEF FINANCIAL OFFICER'S REVIEW

The Group delivered a very strong performance in HY 2021, with both net fees and profit not only up vs 2020 but also surpassing 2019 levels. This is a considerable achievement given the ongoing volatility in the global markets in which SThree operates. The Group saw an encouraging performance in Q1, which was followed by a further strengthening in Q2 across all sectors and regions.

Income statement

Revenue for the half year was up 4% on a constant currency basis to £615.1 million (HY 2020: reported £596.0 million) and 3% on a reported basis. Net fees increased by 10% on both constant currency and reported basis to £164.3 million (HY 2020 £149.9 million). The increase is due to good progress made across the Group, led by very strong growth achieved in DACH and the USA, with Life Sciences and Technology net fees up significantly across the Group. The Group's performance in HY 2020 was impacted by the COVID-19 health crisis across all the Group's territories and sectors but during the current period the aggregate demand for staffing has again gained momentum with improvements in our Contract and Permanent businesses. Overall, the Group net fees margin[1] was 26.7% (HY 2020: 25.2%), driven by higher contract margins and the relative outperformance of Permanent. At the end of the reported period, Contract represented 74% of the Group net fees in the period (HY 2020: 76%).

Operating expenses increased by 1% YoY on a reported basis, mainly driven by increases in personnel costs as a result of higher average salaries, bonuses, commissions, share-based payment charges and temp costs across the organisation. Technology costs also increased following a decline in the prior period as the Group's operations were restrained by COVID-19.

In the six months ended 31 May 2021, the Group's financial results were impacted by the following two items of other income that are unusual because of their nature and incidence:

- The Group took advantage of the job retention scheme launched by the national government of France, whereby it was reimbursed for a portion of salaries of furloughed personnel. A benefit of £0.2 million (HY 2020: £0.7 million from the UK and Singapore national governments) was recognised and presented as a deduction in reporting the related staff expense. In H2 2020, the Group repaid all furlough support received from the UK government.
- The Group also recognised a net exceptional income of £0.1 million (HY 2020: £0.4 million) in relation to a legacy restructuring programme partially funded by a grant receivable from Scottish Enterprise. The Group is entitled to the grant until the end of 2021, subject to the terms of the grant being met.

The reported operating profit was £28.2 million, up 101% YoY on a constant currency basis (HY 2020: £14.3 million). This is also up 26% in constant currency on the reported operating profit announced for HY 2019.

The Group operating profit conversion ratio[2] increased to 17% (HY 2020: 10%) which reflects the recovery in the Group trading activity in the aftermath of the health crisis, partially offset by higher personnel costs and technology spend.

The discontinued Australian operations have been excluded from the results quoted above for both the current and prior period. In HY 2021, these discontinued operations incurred an operating loss of £0.3 million (HY 2020: operating loss £0.6 million) mainly reflecting a true-up of exit costs/redundancy costs of rolling off staff following the business closure and the reclassification of accumulated foreign exchange differences from the Group currency reserve to the Group income statement.

Net finance costs

Net finance costs, which predominantly relate to lease interest, decreased to £0.5 million (HY 2020: £0.7 million). The higher cost in the previous period was a result of the full drawdown of the RCF to ensure strong liquidity during the health crisis. The RCF has been subsequently repaid.

Foreign exchange exposure

For HY 2021, the YoY movements in exchange rates between Sterling, the Euro and the US Dollar (the main functional currencies of the Group) provided a moderate net headwind to the reported performance of the Group, reducing our reported net fees by approximately £1.4 million and operating profit by £0.5 million.

Income tax

The tax charge for the half year on the Group's profit before tax was £8.6 million (HY 2020: £5.2 million), representing an estimated full year effective tax rate ('ETR') on continuing operations of 31%. In the prior period, due to higher losses in certain jurisdictions not recognised for deferred tax purposes, the reported ETR was 38%. The Group's ETR primarily varies depending on the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIPs and other one-off tax items.

Overall, the reported profit before tax from continuing operations was £27.7 million, up 108% YoY in constant currency and up 104% on a reported basis (HY 2020: reported £13.6 million and adjusted £13.1 million).

The reported profit after tax from continuing operations was £19.2 million, up 132% YoY in constant currency and up 128% on a reported basis (HY 2020: reported £8.4 million and adjusted £8.1 million).

Earnings per share ('EPS')

The reported and adjusted EPS was 14.5 pence and 14.4 pence respectively (HY 2020: reported 6.4 pence and adjusted 6.1 pence) on continuing operations. The YoY growth is attributable to a significant improvement in trading performance, a decrease in the Group's ETR, offset by an increase of 0.4 million in the weighted average number of shares. Reported diluted EPS was 14.1 pence (HY 2020: 6.2 pence) on continuing operations. Share dilution mainly results from various share options in place and expected future settlement of certain tracker shares. The dilutive effect on EPS from tracker shares will vary in future periods depending on the

[2] The Group's alternative performance measures, used throughout this Interim Financial Report, are fully explained and reconciled to IFRS line items in note 15 to the Condensed Consolidated Financial Statements.

profitability of the underlying tracker businesses and the settlement of vested arrangements.

Dividends

The Board proposes to pay an interim dividend of 3.0 pence (HY 2020: nil pence; HY 2019: 5.1 pence), amounting to £4.0 million in total. This will be paid on 3 December 2021 to shareholders on record on 5 November 2021. As previously stated in the recent trading update of June 14, 2021, the Board expects dividend cover for the year as a whole to be in the range of 2.5x to 3.0x, which it considers to be prudent given ongoing uncertainty relating to the pandemic. Going forward, the Board expects that the level of cover will continue to be assessed in the light of prevailing trading conditions.

Liquidity management

In HY 2021, cash generated from operations on an adjusted basis was £20.5 million (HY 2020: £42.7 million). It represented the improved adjusted EBITDA[3] offset by the continued growth of the contractor order book increasing our working capital. Income tax paid increased to £9.7 million (HY 2020: £5.6 million) reflecting the improved underlying trading performance across our markets and sectors. In the prior period, the Group also benefited from the short-term government incentive to defer VAT payments; this stimulus provided the Group with a short-term cash relief of £5.1 million reducing working capital in HY 2020.

Capital expenditure decreased to £1.6 million (HY 2020: £2.1 million), the majority of which related to IT equipment (laptops, server refresh in data centres) and spend on assets designed to deliver the Group's strategic priorities under the fast-evolving market conditions.

The Group paid £6.8 million in rent (HY 2020: £6.7 million) and £0.2 million in net interest cost (HY 2020: £0.4 million) during the half year. The Group paid £2.5 million (HY 2020: £1.3 million) for the purchase of its own shares to satisfy employee share schemes in future periods. Cash inflows of £0.2 million (HY 2020: £0.8 million) were generated from Save As You Earn employee schemes. Only immaterial dividend payments were made to shareholders who had unclaimed dividends from previous years and subsequently electing to receive them (HY 2020: £6.7 million, being the interim dividend paid in December 2019). The final dividend 2020 was paid on 4 June 2021.

Foreign exchange had a moderate negative impact of £2.3 million (HY 2020: immaterial impact).

Overall, in the first half of 2021, the Group free cash conversion ratio[3] decreased to 14% on a reported basis compared to the prior period of 215%, primarily reflecting increased working capital. We started the period with net cash of £49.9 million and closed the period with net cash of £47.5 million.

Borrowings

On 31 May 2021, the Group had total accessible liquidity of £102.5 million, made up of £47.5 million in net cash (HY 2020: £31.0 million), a £50.0 million Revolving Credit Facility, which is committed to 2023, and a £5.0 million overdraft. The increased net cash balance, achieved despite the growth in Contract placements made, is an encouraging performance and reflects the Group's keen focus on cash management. The Group also maintains a £20.0 million accordion facility as well as a substantial working capital position reflecting net cash due to SThree for placements already undertaken.

Any funds borrowed under RCF bear a minimum annual interest rate of 1.3% above the three-month Sterling LIBOR. During the current period, the Group did not draw down any of these facilities (HY 2020: £50.0 million). In the prior period, average interest rate paid on drawdown was 1.9%.

The Group remains in a strong financial position and has sufficient cash reserves to meet its obligations as they fall due for a period of at least 12 months from the date of signing of this Interim Financial Report. The Board therefore considers it appropriate to adopt the going concern basis of accounting in preparing the Condensed Consolidated Financial Statements. For further details, including our scenarios, please refer to note 1 of the financial statements.

[3] The Group's alternative performance measures, used throughout this Interim Financial Report, are fully explained and reconciled to IFRS line items in note 15 to the Condensed Consolidated Financial Statements.

PRINCIPAL AND EMERGING RISKS

At SThree we recognise the importance of ongoing risk management to deliver on our strategic pillars and strengthen our performance. Periodically, we adjust our approach as markets and operating landscapes evolve.

Emerging risk – climate change

In 2020 we committed to early adopting the recommendations of the Taskforce for Climate-related Financial Disclosure ('TCFD') which includes climate-related scenario analysis to identify and respond to the businesses' exposure to climate-related risks and opportunities.

During the first half of this year, we undertook a detailed climate-related scenario analysis project with an emphasis on the most material transitional risks and opportunities to SThree. By engaging in scenario analysis, we have explored a wide range of economic, regulatory, technological and societal conditions, and considered how SThree may respond under varying commercial and operating environments.

Within this work we have identified three key scenarios by which we assess the implications of climate change on our business: (1) Renewable led growth (orderly), (2) Disruptive change (disorderly), and (3) Fossil fuelled future (hot house world). Our scenarios, and the underlying data used in modelling, are based on the Network for Greening the Financial System's ("NGFS") climate scenario framework.

Although our own climate action will increasingly focus on the decarbonisation of our business, the implications of climate action have much further reach into how our clients operate and the skills they require. We have identified the following risks within our scenario analysis:

Market:

- Fossil fuel sector net fees will likely reduce within scenario 1 and 2.
- Maintaining market share in rapidly expanding markets such as low carbon transition.

Reputation:

- STEM skills are required across multiple sectors with emerging trends such as green tech. Sector aligned brand strategies and cross selling opportunities may be missed.
- Shifting candidate and client preferences to eco-brands will make service delivery to high emitting clients challenging.

Political:

- Exposure to changing Government policy and varying investment in renewable energy infrastructure projects.

Following the recent completion of the climate-related scenario project we have mobilised an internal committee to develop our response to these risks. Our strategic planning is informed by these risks and how we limit exposure and maximise opportunities.

A full risk review and detailed mitigation plan will be included in our Annual Report and TCFD year report.

Identifying and maximising climate action opportunities

The transition to a low carbon economy requires STEM skills and climate-related scenario analysis has highlighted the growing opportunity for SThree as the only global pure-play STEM staffing specialist. The transition to a low-carbon future could lead to an increase in jobs in renewables to 29 million globally by 2030[4].

Additionally, low carbon innovations will create new STEM roles which are not currently in demand, or even may not yet exist. These opportunities are particularly prevalent in geographies with strong net zero ambitions, including the EU and the USA (under the Biden administration), where we have a large, growing market.

The opportunities identified are as follows:

Market

- Dynamic and flexible services ensure SThree is agile and responsive to changing markets under each scenario.
- Growth of clean energy and associated technologies requires the specialist STEM skills SThree provides.

Reputation

- Growth in sustainable procurement; sustainable supplier credentials such as SThree's climate leadership position (Carbon Disclosure Project (CDP) and Financial Times Climate Leaders 2021 positioning) is a differentiator to competitors.
- The growing brand value of green companies provides an opportunity to be a staffing partner to the growing number of climate conscious businesses.

The opportunities identified through scenario analysis have, and will continue to inform, our strategic and financial planning.

Integrating climate-related risks and opportunities into our business strategy, activities and overall risk management

The outcome of the above analysis is the integration of emerging transitional climate risks within SThree Enterprise Risk Management[5] and governance framework. The analysis and modelling also informs strategic planning and market growth considerations, for example our target to double the share of our global renewables business by 2024.

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[4] Source: IRENA International Renewable Energy Agency https://www.irena.org/DigitalArticles/2020/Sep/Future-Energy-Employment-Will-be-Driven-by-Renewables.

[5] The Group's ERM framework ensures the ongoing monitoring of principal risks and controls by the Board and Audit Committee. In this way, the Directors remain vigilant to changes within all SThree's operating environments, proactively identify new risks and opportunities, whilst striving to mitigate any threats to business viability.

Climate-related risks and opportunities are discussed at the Environment, Social and Governance Committee which includes our Chair, CEO, CFO and Group General Counsel and will be reported to the Board on an annual basis.

Looking forward, we remain committed to early adoption of the TCFD recommendations and will provide a detailed report on our governance, strategy, risk management and targets and metrics in our 2021 Annual Report.

Full details of this integration will be reported in our Annual Report 2021.

Principal risks – trend and outlook
Other than the changes and details set out above, the Directors consider that principal risks faced by the Group remain substantially the same as those set out on pages 68 to 75 of our Annual Report and Accounts for the year ended 30 November 2020. The principal risks and the trend direction have been summarised below:

1. Macro-economic environment/cyclicality (Decreased)
2. Competitive environment and business model (Increased)
3. Commercial relationships and customer risk (Decreased)
4. Contractual risk (No change)
5. Foreign exchange translation (No change)
6. People, talent acquisition and retention (Increased)
7. Information technology and cyber risks (Increased)
8. Data processing (No change)
9. Compliance (Increased)
10. Strategic change management (Increased)

Please refer to our 2020 Annual Report and Accounts for further detail on our risks, available at www.sthree.com/en/investors/financial-results/.

GOVERNANCE AND INTERNAL CONTROL

"Restoring trust in audit and corporate governance: Consultation on the government's proposals"

SThree alignment and implementation

In March 2021, the Department for Business, Energy & Industrial Strategy ('BEIS') issued the consultation paper with the proposed reforms aimed at restoring trust in audit and corporate governance. One of the key proposals is the new reporting and attestation requirement covering internal controls, dividend and capital maintenance decisions, and resilience planning.

During the half year, we continued to improve and evolve our Enterprise Risk Management framework by developing and embedding the necessary capabilities within our organisation to support informed risk taking by our businesses.

We made significant progress towards reaching the fully integrated system of SThree internal controls, risk management and ESG policies, largely aligned with the selected benchmarks - the COSO framework as a benchmark for BEIS UK SOx requirements and TCFD framework as a benchmark for ESG strategies and policies. We identified areas that should be strengthened to drive a future-proof, appropriately resourced and fully compliant system of internal control and corporate governance policies.

We further reviewed and revised risk limits setting out risks that should be avoided and those that can offer sustainable and positive returns and established a process for regular self-assessment style attestation by risk relating to internal controls over financial reporting and their owners. We embedded tools to report control weaknesses, any deficiencies or control failures to support management in real-time monitoring and remediating any areas of concern.

In the second half of the year, we plan to define the enhancements to our internal control framework testing programme focusing on full compliance with the emerging BEIS UK SOx requirements, with the implementation of the new testing programme from early 2022. Together with the enhanced internal audit activities aligned with the new UK SOx framework, we plan to build upon increased management capabilities in reviewing and attesting the control environment. We also intend to further improve the reporting suite to enable informed decisions based upon clear, quality data over the control environment, available to all levels through a risk management system.

Ultimately, by investing in systems, processes and people, we seek to create and maintain a world-class risk management and internal control environment that is aligned with the operational risk exposures across our global operating model, but which also drives the ongoing efficiencies to benefit profitability and shareholder value.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

(a) the Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole for the period ended 31 May 2021 as required by the Disclosure Guidance and Transparency Rules sourcebook of the UK FCA ('DTR') 4.2.4R; and

(b) the Interim Management Report includes a fair review of the information required by:

DTR 4.2.7R of the DTRs, being an indication of important events that have occurred during the first six months of the current financial year and their impact on the Condensed Consolidated Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

DTR 4.2.8 R of the DTRs, 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 Group during that period, and any changes in the related party transactions described in the 2020 Annual Report and Accounts for SThree plc and its subsidiaries for the year ended 30 November 2020, that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

The Directors of SThree Plc are listed in the SThree plc Annual Report and Accounts for 30 November 2020. A list of the current Directors is maintained on the Group's website www.sthree.com.

Signed on behalf of the Board:

Mark Dorman Chief Executive Officer	Alex Smith Chief Financial Officer

16 July 2021

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

for the half year ended 31 May 2021

	Note	31 May 2021 Before exceptional items £'000	31 May 2021 Exceptional items £'000	31 May 2021 Total £'000	31 May 2020 Before exceptional items £'000	31 May 2020 Exceptional items £'000	31 May 2020 Total £'000
Continuing operations							
Revenue	2	615,118	-	615,118	596,002	-	596,002
Cost of sales		(450,851)	-	(450,851)	(446,096)	-	(446,096)
Net fees	**2**	**164,267**	**-**	**164,267**	**149,906**	**-**	**149,906**
Administrative (expenses)/income	3	(135,740)	121	(135,619)	(134,765)	416	(134,349)
Impairment losses on financial assets		(425)	-	(425)	(1,281)	-	(1,281)
Operating profit		**28,102**	**121**	**28,223**	**13,860**	**416**	**14,276**
Finance income		10	-	10	36	-	36
Finance costs		(501)	-	(501)	(752)	-	(752)
Profit before income tax		**27,611**	**121**	**27,732**	**13,144**	**416**	**13,560**
Income tax expense	4	(8,541)	(23)	(8,564)	(5,072)	(79)	(5,151)
Profit for the period from continued operations		**19,070**	**98**	**19,168**	**8,072**	**337**	**8,409**
Discontinued operations							
Loss after tax for the period from discontinued operations	6	(276)	-	(276)	(595)	-	(595)
Profit for the period attributable to the owners of the Company		**18,794**	**98**	**18,892**	**7,477**	**337**	**7,814**
Earnings per share	**7**	**pence**	**pence**	**pence**	**pence**	**pence**	**pence**
Basic		14.2	0.1	14.3	5.7	0.2	5.9
Diluted		13.9	-	13.9	5.5	0.3	5.8
Earnings per share for profit from continued operations	**7**	**pence**	**pence**	**pence**	**pence**	**pence**	**pence**
Basic		14.4	0.1	14.5	6.1	0.3	6.4
Diluted		14.1	-	14.1	5.9	0.3	6.2

The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

for the half year ended 31 May 2021

	Note	31 May 2021 £'000	31 May 2020 £'000
Profit for the period		**18,892**	**7,814**
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on retranslation of foreign continuing operations		(4,854)	6,949
Exchange differences on retranslation of foreign discontinued operations		-	(268)
Items that will not be subsequently reclassified to profit or loss:			
Net loss on equity instruments at fair value through other comprehensive income		-	(12)
Other comprehensive (loss)/income for the period (net of tax)		(4,854)	6,669
Total comprehensive income for the period attributable to owners of the Company		**14,038**	**14,483**
Total comprehensive income for the period attributable to owners of the Company arises from:			
Continued operations		14,314	15,346
Discontinued operations	**6**	(276)	(863)
		14,038	**14,483**

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

as at 31 May 2021

	Note	Unaudited 31 May 2021 £'000	Audited 30 November 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		39,468	40,818
Intangible assets		3,680	4,409
Investments		1	1
Deferred tax assets		-	1,482
Total non-current assets		43,149	46,710
Current assets			
Trade and other receivables		242,413	237,042
Current tax assets		3,496	377
Cash and cash equivalents	**8**	47,529	50,363
Total current assets		293,438	287,782
Total assets		**336,587**	**334,492**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	**9**	1,336	1,330
Share premium	**9**	34,584	33,026
Other reserves		(6,720)	(118)
Retained earnings		105,168	94,279
Total equity		**134,368**	**128,517**
Current liabilities			
Bank overdraft	**8**	7	468
Lease liabilities	**10**	12,275	12,078
Provisions		5,409	9,915
Trade and other payables		158,782	157,499
Total current liabilities		176,473	179,960
Non- current liabilities			
Lease liabilities	**10**	22,969	23,426
Provisions		2,223	2,589
Deferred tax liabilities		554	-
Total non-current liabilities		25,746	26,015
Total liabilities		**202,219**	**205,975**
Total equity and liabilities		**336,587**	**334,492**

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

for the half year ended 31 May 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Treasury reserve £'000	Currency translation reserve £'000	Fair value reserve of equity investments £'000	Retained earnings £'000	Total equity attributable to owners of the Company £'000
Audited balance at 30 November 2019	**1,326**	**32,161**	**172**	**878**	**(5,005)**	**(2,387)**	**(1,996)**	**91,622**	**116,771**
Effect of a change in accounting policy	-	-	-	-	-	-	-	(978)	(978)
Restated total equity at 1 December 2019	**1,326**	**32,161**	**172**	**878**	**(5,005)**	**(2,387)**	**(1,996)**	**90,644**	**115,793**
Profit for the half year ended 31 May 2020	-	-	-	-	-	-	-	7,814	7,814
Other comprehensive income for the period	-	-	-	-	-	6,681	(12)	-	6,669
Total comprehensive income for the period	-	-	-	-	-	6,681	(12)	7,814	14,483
Transfer of loss on disposal of equity investments through other comprehensive income to retained earnings	-	-	-	-	-	-	1,996	(1,996)	-
Dividends paid to equity holders (note 5)	-	-	-	-	-	-	-	(6,656)	(6,656)
Settlement of vested tracker shares	-	-	-	-	61	-	-	55	116
Settlement of share-based payments	4	787	-	-	4,901	-	-	(4,901)	791
Purchase of own shares by Employee Benefit Trust (note 9)	-	-	-	-	(1,329)	-	-	-	(1,329)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	496	496
Total movements in equity	**4**	**787**	**-**	**-**	**3,633**	**6,681**	**1,984**	**(5,188)**	**7,901**
Unaudited balance at 31 May 2020	**1,330**	**32,948**	**172**	**878**	**(1,372)**	**4,294**	**(12)**	**85,456**	**123,694**
Audited balance at 30 November 2020	**1,330**	**33,026**	**172**	**878**	**(1,496)**	**340**	**(12)**	**94,279**	**128,517**
Profit for the half year ended 31 May 2021	-	-	-	-	-	-	-	18,892	18,892
Other comprehensive loss for the period	-	-	-	-	-	(4,854)	-	-	(4,854)
Total comprehensive income for the period	-	-	-	-	-	(4,854)	-	18,892	14,038
Dividends paid to equity holders (note 5)	-	-	-	-	-	-	-	(7)	(7)
Dividends payable to equity holders (note 5)	-	-	-	-	-	-	-	(6,619)	(6,619)
Settlement of vested tracker shares	-	93	-	-	-	-	-	(73)	20
Settlement of share-based payments	6	1,465	-	-	702	-	-	(1,975)	198
Purchase of own shares by Employee Benefit Trust (note 9)	-	-	-	-	(2,450)	-	-	-	(2,450)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	-	671	671
Total movements in equity	**6**	**1,558**	**-**	**-**	**(1,748)**	**(4,854)**	**-**	**10,889**	**5,851**
Unaudited balance at 31 May 2021	**1,336**	**34,584**	**172**	**878**	**(3,244)**	**(4,514)**	**(12)**	**105,168**	**134,368**

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

for the half year ended 31 May 2021

	Note	31 May 2021 £'000	31 May 2020 £'000
Cash flows from operating activities			
Profit from continuing operations before tax after exceptional items		27,732	13,560
Loss before tax from discontinued operations		(276)	(595)
Profit before tax		27,456	12,965
Adjustments for:			
Depreciation and amortisation charge		3,133	3,058
Lease asset depreciation		6,184	6,137
Loss on disposal of property, plant and equipment		14	11
Impairment of intangible assets		-	34
Loss on liquidation of subsidiaries		243	-
Finance income		(10)	(36)
Finance cost		501	760
Non-cash charge for share-based payments		671	496
Operating cash flows before changes in working capital and provisions		**38,192**	**23,425**
(Increase)/decrease in receivables		(11,226)	57,320
Decrease in payables		(1,899)	(40,968)
(Decrease)/increase in provisions		(4,597)	2,281
Cash generated from operations		20,470	42,058
Interest received		10	36
Income tax paid - net		(9,697)	(5,590)
Net cash generated from operating activities		10,783	36,504
Cash generated from operating activities before exceptional items		10,783	37,255
Net cash outflow from exceptional items		-	(751)
Net cash generated from operating activities		10,783	36,504
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,132)	(2,028)
Purchase of intangible assets		(522)	(41)
Net cash used in investing activities		(1,654)	(2,069)
Cash flows from financing activities			
Proceeds from borrowings	**10**	-	50,000
Interest paid		(193)	(352)
Lease principal payments		(6,767)	(6,700)
Proceeds from exercise of share options		197	791
Employee subscription for tracker shares		-	268
Purchase of own shares		(2,450)	(1,329)
Dividends paid to equity holders	**5**	(7)	(6,656)
Net cash (used in)/generated from financing activities		(9,220)	36,022
Net (decrease)/increase in cash and cash equivalents		**(91)**	**70,457**
Cash and cash equivalents at beginning of the period		49,895	10,555
Exchange (losses)/gains relating to cash and cash equivalents		(2,282)	28
Net cash and cash equivalents at end of the period	**8**	**47,522**	**81,040**

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT - UNAUDITED

for the half year ended 31 May 2021

1. ACCOUNTING POLICIES

Corporate information

SThree plc ('the Company') and its subsidiaries (collectively 'the Group') operate predominantly in Continental Europe, the USA, the United Kingdom & Ireland, Asia Pacific and the Middle East. The Group provides both Contract and Permanent specialist recruitment services, primarily in the Life Sciences, Technology, Engineering and Banking & Finance sectors.

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

This Condensed Consolidated Interim Financial Report ('Interim Financial Report') of the Group as at and for the half year ended 31 May 2021 comprises that of the Company and all its subsidiaries. The Interim Financial Report is unaudited and has not been reviewed by external auditors. It does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 November 2020 were approved by the Board of Directors on 22 January 2021 and a copy was delivered to the Registrar of Companies. The auditors reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Interim Financial Report of the Group was approved by the Board for issue on 16 July 2021.

Basis of preparation

This Interim Financial Report for the half-year reporting period ended 31 May 2021 has been prepared in accordance with the Accounting Standard IAS 34 *Interim Financial Reporting* ('IAS 34'). The Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 November 2020 and any public announcements made by SThree Plc during the interim reporting period.

Going concern

The Interim Report has been prepared on the going concern basis. This is considered appropriate, given the financial resources of the Group including its immediately accessible liquidity of £102.5 million, together with Group's future trading performance, capital expenditure and working capital requirements.

The Directors of the Group have performed an assessment of the overall position and future forecasts for the purposes of going concern in light of the current environment. Although the global pandemic continues to create a moderate degree of uncertainty to economic activities across all of our markets, the Group's business model is effective and resilient.

In HY 2021 our teams have delivered a very strong performance across the Group. Our profit has not only grown on HY 2020, but it has also surpassed the pre-pandemic levels of 2019, reflecting the strength of the business and the growth trajectory we are on. This is a considerable achievement given the ongoing volatility of the external markets and is testament to the continued strength of demand for the exceptional candidates we work with and their STEM skills.
DACH and USA regions achieved very strong net fees growth, especially in Life Sciences and Technology sectors. Top five countries now represent 86% of Group net fees, with Germany being 33% and USA 25%. Performance in EMEA excluding DACH has been mixed, with the 8% YoY net fees growth in constant currency in the Netherlands, our biggest country in the region, offset by slightly weaker performances in the UK and France, neither of which given their relative size causes a significant risk to the ongoing position of the Group from a going concern and cash flow perspective.

The Directors of the Group have considered the future position based on current trading and strategic initiatives designed to take further advantage of new market opportunities. This has been further stress tested by considering a range of potential downside scenarios which may occur, either through further COVID-19 related impacts, general economic uncertainty or other risks. This assessment has considered the Group's potential responses to changing market conditions and business risks, resilience of its business model and overall level of Group funding and covenant requirements.

The scenarios modelled are based on medium-term forecasts out to the end of 2022. The first scenario considers the downside impact of economic uncertainty over the forecast period, reflected in reduced sales activity for the remainder of 2021 and into H1 2022, with net fees decline of 3% in 2021 compared to base 2021 and net fees decline of 10% in 2022 compared to base 2022. The second scenario, considered most severe but plausible, includes further potential COVID-19 outbreaks in key strategic countries, USA and Germany, with further restrictions introduced in the UK, leading to slower demand back to 2020 levels. Mitigating actions are included in the form of delayed capital expenditure and future dividends, together with flexibility in managing the cost base. Under all scenarios, the Group forecasts to be in a strong cash position throughout 2021 and into 2022 with significant headroom against its banking covenants.

Through this process, together with their knowledge and experience of the recruitment services industry, STEM markets and the principal risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months and therefore the Directors continue to adopt the going concern basis in preparing this Interim Report.

Accounting policies

The accounting policies used in the preparation of the Condensed Consolidated Financial Statements are consistent with those applied in the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards effective as of 1 December 2020 as set out below.

New and amended standards effective in 2021 and adopted by the Group

A number of amended standards became applicable as of 1 December 2020 and were adopted by the Group. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendments to IFRS 3, Definition of a business;
- Amendments to IAS 1 and IAS 8, Definition of material; and
- Amendments to IFRS 16, COVID-19 Rent Related Concessions.

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

As at the date of authorisation of this Interim Financial Report, the following key amendments to existing standards were in issue but not yet effective. These amendments are not expected to have a material impact on the Group in the current or future periods.

- Amendments to IFRS 7, IFRS 9, IFRS 16 and IAS 39, Interest Rate Benchmark Reform - phase 2.

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Interim Financial Report requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, the actual results may ultimately differ from these estimates.

In preparing the Interim Financial Report, the significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the Group's 2020 annual financial statements, with the exception of changes in estimates that are required in determining the provision for income taxes.

2. SEGMENTAL ANALYSIS

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

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

The Group segments the business into the following reportable regions: DACH, EMEA excluding DACH, USA and APAC, as well as presents an analysis of net fees by its five key markets: Germany, the Netherlands, the USA, the UK and Japan.

DACH region comprises Germany, Switzerland and Austria. 'EMEA excluding DACH' region comprises primarily Belgium, France, the Netherlands, Spain, the UK, Ireland, and Dubai. All these sub-regions were aggregated into two separate reportable segments based on the possession of similar economic characteristics.

Countries aggregated into DACH and separately into 'EMEA excluding DACH' generate a similar average net fees margin and long-term growth rates, and are similar in each of the following areas:

- the nature of the services (recruitment/candidate placement);
- the methods used in which they provide services to clients (freelance contractors, employed contractors, and permanent candidates);
- the class of candidates (candidates, who we place with our clients, represent skillsets in Science, Technology, Engineering and Mathematics disciplines).

The Group's management reporting and controlling systems use accounting policies that are the same as those described in note 1 in the summary of significant accounting policies in the Group's 2020 annual financial statements.

Revenue and net fees by reportable segment

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

Intersegment revenue is recorded at values which approximate third party selling prices and is not significant.

The segmental information has been presented for continuing operations only, excluding closed business in Australia. The comparative numbers have been restated accordingly throughout this note.

	Revenue		Net fees	
	31 May 2021	31 May 2020 restated	31 May 2021	31 May 2020 restated
	£'000	£'000	£'000	£'000
EMEA excluding DACH	285,855	303,273	59,845	60,509
DACH	204,493	176,055	59,067	50,139
USA	116,527	109,461	40,921	35,364
APAC	8,243	7,213	4,434	3,894
	615,118	**596,002**	**164,267**	**149,906**

EMEA excluding DACH includes Dubai, Belgium, France, Ireland, Luxembourg, the Netherlands, Spain and the UK.

DACH includes Austria, Germany and Switzerland.

APAC includes Hong Kong, Japan, Malaysia and Singapore.

Split of revenue from contracts with customers

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

31 May 2021	EMEA excluding DACH	DACH	USA	APAC	Total
	£'000	£'000	£'000	£'000	£'000
Timing of revenue recognition					
Over time	276,553	184,644	105,954	4,573	571,724
At a point in time	9,302	19,849	10,573	3,670	43,394
	285,855	**204,493**	**116,527**	**8,243**	**615,118**

31 May 2020 restated	EMEA excluding DACH	DACH	USA	APAC	Total
	£'000	£'000	£'000	£'000	£'000
Timing of revenue recognition					
Over time	293,237	158,814	102,269	4,057	558,377
At a point in time	10,036	17,241	7,192	3,156	37,625
	303,273	**176,055**	**109,461**	**7,213**	**596,002**

Major customers

In HY 2021 and HY 2020, no single customer generated more than 10% of the Group's revenue.

Other information

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

	Revenue		Net fees	
	31 May 2021	31 May 2020 restated	31 May 2021	31 May 2020 restated
	£'000	£'000	£'000	£'000
Germany	184,060	158,859	53,952	45,967
Netherlands	116,788	118,407	25,576	23,137
USA	116,527	109,461	40,921	35,364
UK	91,233	97,667	17,283	18,632
Japan	3,968	3,458	3,327	2,854
ROW(1)	102,542	108,150	23,208	23,952
	615,118	**596,002**	**164,267**	**149,906**

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

Non-current assets	31 May 2021 £'000	Audited 30 November 2020 £'000
Germany	13,761	10,725
UK	13,535	16,255
USA	5,390	6,466
Netherlands	3,116	3,928
Japan	179	118
ROW(1)	7,168	7,736
	43,149	**45,228**

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

Non-current assets from discontinued operations amounted to £nil (2020: £nil).

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

	Revenue		Net fees	
Brands	31 May 2021 £'000	31 May 2020 restated £'000	31 May 2021 £'000	31 May 2020 restated £'000
Computer Futures	204,989	183,791	53,818	46,152
Progressive	174,560	187,012	46,356	44,925
Real Staffing Group	134,778	124,412	41,683	35,633
Huxley Associates	100,791	100,787	22,410	23,196
	615,118	**596,002**	**164,267**	**149,906**

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

	Revenue		Net fees	
Recruitment classification	31 May 2021 £'000	31 May 2020 restated £'000	31 May 2021 £'000	31 May 2020 restated £'000
Contract	571,724	558,377	121,913	113,470
Permanent	43,394	37,625	42,354	36,436
	615,118	**596,002**	**164,267**	**149,906**

	Revenue		Net fees	
Sectors	31 May 2021 £'000	31 May 2020 restated £'000	31 May 2021 £'000	31 May 2020 restated £'000
Technology	309,766	293,086	76,659	67,611
Life Sciences	126,187	104,321	39,578	32,822
Engineering	124,170	138,469	33,016	33,117
Banking & Finance	45,943	52,896	11,772	13,960
Other	9,052	7,230	3,242	2,396
	615,118	**596,002**	**164,267**	**149,906**

Other includes Procurement & Supply Chain and Sales & Marketing. Engineering includes Energy.

3. PROFIT AND LOSS INFORMATION

(a) Operating profit from continuing operations is stated after charging/(crediting):

	31 May 2021 £'000	31 May 2020 £'000
Staff costs	104,195	102,048
Depreciation	8,099	7,574
Amortisation	1,218	1,435
Loss on disposal of property, plant and equipment	14	11
Impairment of intangible assets	-	34
Impairment loss on financial assets	425	1,281
Service lease charges		
- Buildings	1,079	1,059
- Cars	104	198
Foreign exchange losses/(gains)	377	(120)
Other operating income (see note 3(b))	(296)	(1,095)

(b) Profit for the half-year includes the following items that are unusual because of their nature, size, or incidence:

	31 May 2021 £'000	31 May 2020 £'000
1. Net exceptional income	121	416
2. Impact of COVID-19		
Government assistance income	175	679
	296	**1,095**

Net exceptional income
The Group recognised a net exceptional income of £0.1 million (HY 2020: £0.4 million) in relation to a legacy restructuring programme partially funded by a grant receivable from Scottish Enterprise. The Group is entitled to the grant until the end of 2021, subject to the terms of the grant being met.

Impact of COVID-19
The COVID-19 health crisis had implications on certain items of income in the Group Condensed Consolidated Financial Statements, though not treated as exceptional items these items affect the profit before tax for the six months ended 31 May 2021.

Government assistance income
In the six months ended 31 May 2021, the Group took advantage of job retention schemes launched by the national government of France, whereby it was reimbursed for a portion of salaries of furloughed personnel. A benefit of £0.2 million (HY 2020: £0.7 million from the UK and Singapore national governments) was recognised and presented as a deduction in reporting the related staff expense.

4. INCOME TAX EXPENSE

Income tax for the half year is accrued based on the Directors' best estimate of the average annual effective tax rate ('ETR') for the financial year. The tax charge for the half year amounted to £8.6 million (HY 2020: £5.2 million) at an ETR of 31% (HY 2020: 38%) on continuing operations. The tax rate was higher in the prior period mainly due to higher losses in certain jurisdictions not recognised for deferred tax purposes. The Group's ETR primarily varies with the mix of taxable profits by territory, non-deductibility of the accounting charge for LTIP's and other one-off tax items.

A deferred tax liability of £0.6 million (2020: deferred tax asset of £1.5 million) has been recognised in the financial statements for the six months ended 31 May 2021. This comprises deferred tax assets of £4.6 million (2020: £5.4 million) and deferred tax liabilities of £5.2 million (2020: £3.9 million), which arise on accelerated depreciation, share-based payments, provisions and uncertain tax provisions. The movement in the period is primarily as a result of an increase in the Uncertain Tax Provision relating to transfer pricing risks, and the utilisation of tax losses.

At the reporting date, the Group has unused tax losses of £30.0 million (2020: £34.2 million) available for offset against future profits. No deferred tax asset was recognised against these losses.

5. DIVIDENDS

Amounts recognised as distributions to equity holders in the period	31 May 2021 £'000	31 May 2020 £'000
Interim dividend of nil (2019: 5.1 pence) per share	-	6,656
Final dividend of 5.0 pence (2019: nil pence) per share	6,626	-
	6,626	**6,656**

No interim 2020 dividend was paid due to the economic uncertainty caused by the COVID-19 health crisis (2019: 5.1 pence).

The 2020 final dividend of 5.0 pence (2019: nil pence) per share was approved by shareholders at the AGM on 22 April 2021 and has been included as a liability in this Interim Financial Report. The dividend was paid on 4 June 2021 to shareholders on record on 7 May 2021.

6. DISCONTINUED OPERATIONS

On 1 September 2020, the Group announced its intention to liquidate the Australian subsidiary ('SThree Australia'), the operations of which represented a separate major line of business for SThree. As a result, SThree Australia was treated as discontinued operations for the year ended 30 November 2020 and half year ended 31 May 2021.

A single amount was shown on the face of the Condensed Consolidated Income Statement comprising the post-tax loss from discontinued operations. That is, the income and expenses of SThree Australia were reported separately from the continuing operations of the Group. With SThree Australia being classified as discontinued operations, the APAC segment no longer includes its results in the segmental note. Financial information for SThree Australia operations after intra-group eliminations is presented below.

	31 May 2021 £'000	31 May 2020 £'000
Revenue	-	6,637
Cost of sales	(21)	(5,370)
Administrative expenses	(12)	(1,854)
Operating loss	**(33)**	**(587)**
Net finance cost	-	(8)
Loss before and after income tax of discontinued operations	**(33)**	**(595)**
Reclassification of foreign currency translation reserve	(243)	-
Loss on liquidation of the subsidiary before and after income tax	**(243)**	**-**
Loss from discontinued operations	**(276)**	**(595)**
Exchange differences on retranslation of discontinued operations	-	(268)
Total comprehensive loss from discontinued operations	**(276)**	**(863)**
Net cash flows (used)/generated by discontinued operations		
Operating activities	(704)	411
Financing activities	-	(165)
Net cash (outflow)/inflow	**(704)**	**246**

7. EARNINGS PER SHARE

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

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of dilutive potential shares. Potential dilution resulting from tracker shares takes into account profitability of the underlying tracker businesses and SThree plc's earnings per share. Therefore, the dilutive effect on EPS will vary in future periods depending on any changes in these factors.

	31 May 2021 £'000	31 May 2020 £'000
Earnings		
Continuing operations before exceptional items	19,070	8,072
Exceptional items net of tax	98	337
Discontinued operations	(276)	(595)
Profit for the period attributable to the owners of the Company	**18,892**	**7,814**

	millions	millions
Number of shares		
Weighted average number of shares used for basic EPS	132.3	132.0
Dilutive effect of share plans	3.4	3.3
Diluted weighted average number of shares used for diluted EPS	**135.7**	**135.3**

	31 May 2021 pence	31 May 2020 pence
Basic EPS		
Continuing operations before exceptional items	14.4	6.1
Exceptional items	0.1	0.3
Discontinued operations	(0.2)	(0.5)
	14.3	**5.9**
Diluted EPS		
Continuing operations before exceptional items	14.1	5.9
Exceptional items	-	0.3
Discontinued operations	(0.2)	(0.4)
	13.9	**5.8**

8. CASH AND CASH EQUIVALENTS

	31 May 2021 £'000	Audited 30 November 2020 £'000
Cash at bank attributable to continued operations	47,136	49,720
Bank overdraft attributable to continued operations	(7)	(468)
Net cash and cash equivalents for continued operations	**47,129**	**49,252**
Cash at bank attributable to discontinued operations	393	643
Net cash and cash equivalents per the statement of cash flows	**47,522**	**49,895**

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

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

9. SHARE CAPITAL

During the period 556,320 (HY 2020: 402,487) new ordinary shares were issued, resulting in a share premium of £1.6 million (HY 2020: £0.8 million). These shares were issued pursuant to the exercise of share awards under the Save As You Earn scheme, Long-Term Incentive Plan ('LTIP') and for certain vested tracker share awards.

Treasury Reserve
Treasury reserve represents SThree plc shares repurchased and available for specific and limited purposes. In the six months ended 31 May 2021, none of its own shares were purchased or utilised by SThree plc treasury. At the period end, 35,767 (HY 2020: 49,773) shares were held in treasury.

Employee Benefit Trust
The Group holds shares in the Employee Benefit Trust ('EBT'). The EBT is funded entirely by the Company and acquires shares in SThree plc to satisfy future requirements of the employee share-based payment schemes.
For accounting purposes shares held in the EBT are treated in the same manner as shares held in the treasury reserve by the Company and are, therefore, included in the financial statements as part of the treasury reserve for the Group.

In the six months ended 31 May 2021, the EBT purchased 700,928 (HY 2020: 380,000) of SThree plc shares. The average price paid per share was 350 pence (HY 2020: 348 pence). In addition, SThree plc gifted 54,054 shares to the EBT. The total acquisition cost of these shares was £2.6 million (HY 2020: £1.3 million), for which the treasury reserve was reduced. During the period, the EBT utilised 290,905 (HY 2020: 1,560,539) shares on settlement of LTIP awards. At the period end, the EBT held 1,098,463 (HY 2020: 532,013) shares.

10. OTHER FINANCIAL LIABILITIES

The Group maintains a committed Revolving Credit Facility ('RCF') of £50.0 million along with an uncommitted £20.0 million accordion facility, with HSBC and Citibank, giving the Group an option to increase its total borrowings under the facility to £70.0 million. The Group also has an uncommitted £5.0 million overdraft facility with HSBC. Any funds borrowed under the RCF bear a minimum annual interest rate of 1.3% above the three-month Sterling LIBOR. During the current period, the Group did not draw down under these facilities (HY 2020: £50.0 million). Accordingly, the net finance costs decreased to £0.5 million (HY 2020: £0.7 million) and are mainly related to lease interest. In the prior period, average interest rate paid on drawdown was 1.9%.

The RCF is subject to certain covenants requiring the Group to maintain financial ratios over interest cover, leverage and guarantor cover. The Group has complied with these covenants throughout the current period. The RCF facility is available under these terms and conditions until April 2023.

The Group's exposure to interest rates, liquidity, foreign currency and capital management risks is disclosed in the Group's 2020 annual financial statements.

Leases

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

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

	31 May 2021 £'000	Audited 30 November 2020 £'000
Buildings	30,774	30,819
Cars	1,717	1,936
IT equipment	80	123
Total right of use assets	**32,571**	**32,878**
Current lease liabilities	12,275	12,078
Non-current lease liabilities	22,969	23,426
Total lease liabilities	**35,244**	**35,504**

11. CONTINGENT LIABILITIES

Legal

The Group is involved in various disputes and claims which arise from time to time in the course of its business. These are reviewed on a regular basis and, where possible, an estimate is made of the potential financial impact on the Group. The Group has contingent liabilities in respect of these claims. In appropriate cases a provision is recognised based on advice, best estimates and management judgement. The Group currently believes the likelihood of any material liabilities to be low, and that such liabilities, if any, will not have a material adverse effect on its financial position.

12. RELATED PARTY DISCLOSURES

The Group's significant related parties are as disclosed in the Group's 2020 annual financial statements. There were no other material differences in related parties or related party transactions in the period compared to the prior period.

13. SHAREHOLDER COMMUNICATIONS

SThree plc has taken advantage of regulations which provide an exemption from sending copies of its Interim Financial Report to shareholders. Accordingly, the 2021 Interim Financial Report will not be sent to shareholders but will be available on the Company's website www.sthree.com or can be inspected at the registered office of the Company.

14. SUBSEQUENT EVENTS

There were no subsequent events following 31 May 2021.

15. ALTERNATIVE PERFORMANCE MEASURES ('APMs'): DEFINITIONS AND RECONCILIATIONS

Adjusted APMs

In discussing the performance of the Group, comparable measures are used, which are calculated by deducting from the directly reconcilable IFRS measures the impact of the Group's restructuring costs, which are considered as items impacting comparability, due to their nature.

Restructuring costs

Support function relocation

This category currently comprises government grant income arising from a strategic relocation of SThree's central support functions away from the London headquarters to the Centre of Excellence located in Glasgow, further explained in note 3.

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

Reconciliation of adjusted financial indicators for continuing operations

31 May 2021	Revenue	Net fees	Administrative expenses incl. impairment loss	Operating profit	Profit before tax	Tax	Profit after tax	Basic EPS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	pence
As reported	615,118	164,267	(136,044)	28,223	27,732	(8,564)	19,168	14.5
Exceptional items	-	-	(121)	(121)	(121)	23	(98)	(0.1)
Adjusted	**615,118**	**164,267**	**(136,165)**	**28,102**	**27,611**	**(8,541)**	**19,070**	**14.4**

31 May 2020	Revenue	Net fees	Administrative expenses incl. impairment loss	Operating profit	Profit before tax	Tax	Profit after tax	Basic EPS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	pence
As reported	596,002	149,906	(135,630)	14,276	13,560	(5,151)	8,409	6.4
Exceptional items	-	-	(416)	(416)	(416)	79	(337)	(0.3)
Adjusted	**596,002**	**149,906**	**(136,046)**	**13,860**	**13,144**	**(5,072)**	**8,072**	**6.1**

APMs in constant currency
As we are operating in 14 countries and with many different currencies, we are affected by foreign exchange movements, and we report our financial results to reflect this. However, we manage the business against targets which are set to be comparable between years and within them, for otherwise foreign currency movements would undermine our ability to drive the business forward and control it. Within this Interim Financial Report, we highlighted comparable results on a constant currency basis as well as the audited results ('on a reported basis') which reflect the actual foreign currency effects experienced.

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

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

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

	31 May 2021					
	Revenue £'000	Net fees £'000	Operating profit £'000	Operating profit conversion ratio*	Profit before tax £'000	Basic EPS pence
Adjusted	615,118	164,267	28,102	17.1%	27,611	14.4
Currency impact	1,728	1,429	446	0.1%	457	0.2
Adjusted in constant currency	**616,846**	**165,696**	**28,548**	**17.2%**	**28,068**	**14.6**

	31 May 2020					
	Revenue £'000	Net fees £'000	Operating profit £'000	Operating profit conversion ratio*	Profit before tax £'000	Basic EPS pence
Adjusted	596,002	149,906	13,860	9.2%	13,144	6.1
Currency impact	4,288	884	208	0.1%	226	0.1
Adjusted in constant currency	**600,290**	**150,790**	**14,068**	**9.3%**	**13,370**	**6.2**

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

Other APMs

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

	31 May 2021 £'000	30 Nov 2020 £'000
Cash and cash equivalents	47,529	50,363
Bank overdraft	(7)	(468)
Net cash	**47,522**	**49,895**

Adjusted EBITDA
Adjusted EBITDA is calculated by adding back to the reported operating profit operating non-cash items such as the depreciation and impairment of property, plant and equipment, the amortisation and impairment of intangible assets, the employee share option and net exceptional items. See the table below illustrating how free cash conversion ratio is calculated. EBITDA is the sum of operating profit and operating non-cash items. Adjusted EBITDA is intended to provide useful information to analyse the Group's operating performance excluding the impact of operating non-cash items as defined above. The Group also uses adjusted EBITDA to measure the level of financial leverage of the Group by comparing adjusted EBITDA to net debt.

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

		31 May 2021	31 May 2020
Total net fees (£'000)	A	164,267	149,906
Total revenue (£'000)	B	615,118	596,002
Net fees margin	**(A ÷ B)**	**26.7%**	**25.2%**

Free cash conversion ratio
The Group uses the free cash conversion ratio as an APM to measure the business's ability to convert profit into cash. It represents cash generated from operations for the period after deducting tax, net interest cost and rent payments, stated as a percentage of operating profit. The free cash flow can then be used to fund Group operations such as capex, share buy-backs, dividends, etc.

The following table illustrates how adjusted free cash conversion ratio is calculated:

31 May 2021	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid C £'000	Rent payments D £'000	Free cash conversion ratio (B+C+D) ÷ A %
As reported	27,947	10,245	(17,722)	20,470	(9,880)	(6,767)	13.7%
Exceptional items	(121)	-	121	-	-	-	n/a
Adjusted	**27,826**	**10,245**	**(17,601)**	**20,470**	**(9,880)**	**(6,767)**	**13.6%**

31 May 2020	Operating profit A £'000	Operating non-cash items* £'000	Changes in working capital £'000	Cash generated from operations B £'000	Tax and net interest paid C £'000	Rent payments D £'000	Free cash conversion ratio (B+C+D) ÷ A %
As reported	13,689	9,736	18,633	42,058	(5,906)	(6,700)	215.2%
Exceptional items	(416)	-	1,100	684	-	-	n/a
Adjusted	**13,273**	**9,736**	**19,733**	**42,742**	**(5,906)**	**(6,700)**	**226.4%**

* Operating non-cash items represent primarily depreciation, amortisation and impairment of intangible assets, and employee share option and performance share costs as presented in the line 'non-cash charge for share-based payments' of the Condensed Consolidated Statement of Cash Flows.

FINANCIAL CALENDAR

13 September 2021	Q3 trading update
30 November 2021	2021 financial year end
13 December 2021	Trading update for the year ended 30 November 2021
31 January 2022	Annual results for the year ended 30 November 2021

The Directors
SThree plc
1st Floor
75 King William Street
London
EC4N 7BE

16 July 2021

Dear Ladies and Gentlemen

Report of factual findings in connection with SThree plc Interim report for the period ended 31 May 2021.

This report is produced in accordance with the terms of our agreement dated 2 June 2021.

The directors of SThree plc (the "company") have prepared the **SThree plc Interim report for the period ended 31 May 2021** and remain solely responsible for it and for the creation and maintenance of all accounting and other records supporting its contents.

We have performed the procedures agreed with you and listed below on the SThree plc Interim report for the period ended 31 May 2021. Our work was performed in accordance with the International Standard on Related Services (ISRS) 4400 'Engagements to perform agreed-upon procedures regarding financial information.' The procedures were performed solely to assist the company's directors in fulfilling their reporting obligations under the FCA's Disclosure and Transparency Rules ('DTR').We performed the following procedures:

1.) Interim report
   a. Obtained the draft of the 31 May 2021 Interim Report ("Interim Report") and agreed the Income statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement to management's consolidated trial balance. Obtained management's explanations for material variances.
   b. Obtained the Interim Report (inclusive of final tax figures) as at 31 May 2021, to be reviewed by PwC. Read this report and agreed the mathematical accuracy and internal consistency of the report. Obtained management's explanations for material variances.
   c. Obtained management's Earnings per Share and Diluted Earnings per Share calculation (inclusive of the dilutive impact of tracker shares) as at 31 May 2021. Agreed the mathematical accuracy of the calculations and agreed the calculation to the Interim Report. Obtain management's explanations for material variances.
   d. Obtained management's completed IAS 34 Interim Reporting Checklist for the period ended 31 May 2021. Confirmed that the responses to the reporting checklist is consistent with the disclosures made in the interim report. Obtained management's explanations for material variances.
   e. Obtained management's schedule of one-off items impacting reported earnings in the Interim Report for the 6 months ended 31 May 2021. Agreed the mathematical accuracy of the schedule and obtain management's explanations for material variances. Obtained management's explanations for material one-off items. Agreed management's schedule to the Interim Report and obtained management's

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explanations for material variances. Read disclosures in the Interim Report for consistency with management's explanations.

2.) Other procedures
    a. Obtained management's schedule of capitalised intangibles as at 31 May 2021. Agreed this schedule to the Interim Report and obtained management's explanations for material variances. Selected all material business cases for IT development projects and based on management's explanations, agreed whether the project meets the asset recognition criteria set out in IAS 38.
    b. Inquired with management on movements in the 6 months to 31 May 2021 regarding the following open regulatory developments: FLSA in the US; employee taxes in Germany (and IR35 look through tests); EU Holiday Pay Regulation. Inquired with management on whether there are any other open, material litigation.

3.) Reported to the Audit Committee detailing our findings from performing the above procedures.

Our procedures, as stated in our agreement, did not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the SThree plc Interim report for the period ended 31 May 2021. We do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the SThree plc Interim report for the period ended 31 May 2021 in accordance with generally accepted auditing standards, other matters might have come to our attention that we would have reported to you. This report relates only to the SThree plc Interim report for the period ended 31 May 2021 and does not extend to any financial statements of the company taken as a whole.

Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services, will extend any duty of care we may have in our capacity as auditors of any financial statements of the company.

This report is solely for your use in connection with the purpose specified above and as set out in our agreement. No part of this report is to be copied or distributed to any other party except as permitted under the terms of our agreement. We do not accept any liability or responsibility to any third party.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Glasgow

SThree plc

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