

3 August 2010

SDL PLC

Interim results for the six months ended 30 June 2010

*Global Information Management strategy builds further momentum - strong growth in revenue and operating profit*

SDL plc ("SDL" or "the Group"), a leader in the emerging market for Global Information Management (GIM) solutions, is pleased to announce its unaudited interim results for the six months ended 30 June 2010.

|   | Unaudited<br>6 months<br>to<br>30 June<br>2010<br>£'000 | Unaudited<br>6 months<br>to<br>30 June<br>2009<br>£'000 | %<br>Change |
|---|---|---|-------------|
| <b>Income Statement:</b>                                |   |   |             |
| Revenue   | 94,500  | 83,293  | +13%        |
| Profit before tax and amortisation of intangible assets | 16,332  | 14,519  | +12%        |
| Profit before tax                                       | 12,856  | 11,779  | +9%         |
| Earnings per ordinary share - basic (pence)             | 12.44   | 11.41   | +9%         |
| Adjusted earnings per ordinary share – basic (pence)    | 15.67   | 14.02   | +12%        |
| <b>Statement of Financial Position:</b>                 |   |   |             |
| Total equity  | 179,480   | 154,658   |             |
| Cash and cash equivalents                               | 55,482  | 32,919  |             |
| Interest bearing loans and borrowings                   | -   | -   |             |

**Highlights:**

- **Strong performance in revenue and Profit Before Taxation and Amortisation – ahead of expectations**
- **Constant currency growth in all divisions:**
  - Language Services - headline revenue growth 9% (12% at constant currency)
  - Language Technologies – headline revenue growth flat (2% at constant currency)
  - Content Management Technologies – headline revenue growth 43% (19% at constant currency excluding acquisition impact)
- **Momentum and Pipeline building**
  - Recovery in Language Services demand
  - Licence revenue ahead (11% at constant currency) in Language Technologies
  - Strong growth in Content Management Technologies after well executed integration phase
- **Stable profit before taxation and amortisation margin**

- Accelerated investment in growth, particularly R&D
- **Cash flow remains strong – on track for maiden dividend**
- **Two new innovations LiveContent and SmartTarget introduced to market**
- **Two acquisitions completed so far in 2010**
  - Language Weaver – global authority in Statistical Machine Translation
  - Xopus – extends reach of content management solutions to non technical authors

**Mark Lancaster, Chairman and Chief Executive of SDL, commented:**

I am delighted to report strong performance for the first half of 2010 significantly ahead of the prior year, at record levels, and ahead of market expectations for both revenue and operating profit.

During the period we have made good progress in revenue delivery for Content Management Technologies, and whilst Language Technologies revenues were flat compared to 2009, we experienced solid growth in licence sales and acceleration of progress in the second quarter following the implementation of focused marketing initiatives. We have seen continued steady recovery in demand from 2009 levels in Language Services, underpinned in part by growth in the less mature accounts.

Recent customer wins and the level of adoption of our technology in key customers supports our strategy of best in class integrated end to end solution capabilities for our clients. Strategically, we have been very pleased to complete two acquisitions this year. By moving to take significant early market share in key strategic growth areas we are confident that these acquisitions will cement SDL's leadership in Global Information Management as we move into the future digital age.

The scope of our Global Information Management solutions has further expanded and become more integrated. We feel confident moving into the second half of 2010 and beyond that our strategy and execution will continue to deliver growth and stability.

**For further information please contact:**

**SDL plc**

Mark Lancaster, Chief Executive  
John Hunter, Chief Financial Officer

Tel: 01628 410 127

**Financial Dynamics**

Edward Bridges /Juliet Clarke /Emma Appleton/ Haya  
Herbert-Burns

Tel: 020 7831 3113

**About SDL**

SDL is the leader in Global Information Management solutions. SDL's solutions increase business agility to enterprises by accelerating the delivery of high-quality multilingual content to global markets. The company's integrated Web Content Management, eCommerce, Structured Content and Language Technologies, combined with its Language Services drive down the cost of content creation, management, translation and publishing. SDL solutions increase conversion ratios and customer satisfaction through targeted information that reaches multiple audiences around the world through different channels.

Global industry leaders who rely on SDL include ABN-Amro, Bosch, Canon, CNH, FICO, Hewlett-Packard, KLM, Microsoft, NetApp, Philips, SAP, Sony and Virgin Atlantic. SDL has over 1500 enterprise customers, has deployed over 170,000 software licenses and provides access to on-demand portals for 10 million customers per month. It has a global infrastructure of more than 50 offices in 34 countries. For more information, visit [www.sdl.com](http://www.sdl.com).

## Chairman's Statement

### Summary Performance

I am delighted to report strong performance for the first half of 2010 significantly ahead of the prior year, at record levels, and ahead of market expectations for both revenue and operating profit.

During the period we have made good progress in revenue delivery for Content Management Technologies, and whilst Language Technologies revenues were flat compared to 2009, we experienced solid growth in licence sales and acceleration of progress in the second quarter, following the implementation of focused marketing initiatives. We have seen continued steady recovery in demand from 2009 levels in Language Services, underpinned in part by growth in the less mature accounts.

Whilst we continue to believe economic recovery has some fragility to it, and we continue to act with a degree of appropriate caution, our pace of investment in growth has accelerated in the first half of 2010 as we continue to execute our strategy to capitalise on strong growth opportunities in the Technologies businesses. I am also delighted that we have committed to opening an office in Turkey in the second half of 2010, which will further build our infrastructure in Language Services, allowing us to deliver scale and quality in a significant growth market. We continue to be committed to providing leading Technology and Service solutions in the content industry. Recent customer wins and the level of adoption of our technology in key customers supports our strategy of providing best in class integrated end to end solutions.

Strategically, we have been very pleased to complete two acquisitions this year. The acquisition of Xopus, a leading provider of a user friendly online XML editor, addresses the adoption of structured authoring for non-technical writers and will be fully integrated within our suite of Content Management Technologies. The acquisition of Language Weaver Inc, a pioneer in Statistical Machine Translation, delivers a best-of-breed machine translation technology that helps enterprises and governments translate the large volumes of content in today's increasingly online world. This addition creates a compelling combination of SDL's leadership in content and language technology solutions with Language Weaver's authority in machine translation technology. By moving to take significant early market share in key strategic growth areas we are confident that these acquisitions will cement SDL's leadership in Global Information Management as we move into the future digital age and create outstanding value for our clients and investors.

Revenue for the first half of 2010 was £94.5 million (2009: £83.3 million) and profit before taxation and amortisation of intangible assets ("PBTA") for the period was £16.3 million (2009: £14.5 million) with profit before taxation of £12.9 million (2009: £11.8 million). Net cash in the business at the end of the period was £55.5 million (End December 2009: £46.2 million) after spending £1.0 million on the Xopus acquisition in June 2010.

Headline revenue growth of 13% comprised a 5% contribution from acquisitions (XyEnterprise and Fredhopper are not included in prior year first half comparatives); a 3% adverse impact from currency and 11% organic growth at constant currency. All three operating segments delivered constant currency revenue growth in the first half of 2010, validating the improvements in pipeline we saw at the end of 2009 and in early 2010. We also continue to make excellent progress in cross leveraging our solutions. Overall PBTA margin was stable year on year at 17.3% (2009 17.4%), as we moved to accelerate strategic investment in growth, particularly in research and development.

The business retained its strong cash generation characteristics in H1 2010. Cash generated from operations stood at £13.2 million (2009: £16.8 million). Whilst we did not see a repeat of the working capital inflow we saw in 2009, our receivables collection progress has been sustained in the first half of 2010 and we continued to place high priority on free cash

generation. Given the stability of our cash flow we remain on track to initiate a maiden dividend payment for the 2010 financial year, providing a return to those investors who value income as well as growth.

**Content Management Technologies** (contributing £20.9 million or 22% revenue to the Group and £3.4 million or 21% of the PBTA) *(2009: contributing £14.7 million or 18% revenue to the Group and £2.9 million or 20% of the PBTA)*

The division comprises Web Content Management Solutions, Structured Content Technologies and eCommerce Technologies, and was strengthened by the acquisitions of Fredhopper in December 2009 and Xopus in June 2010.

Content Management Technologies continued to drive forward significantly with headline revenue growth of 43% in the first half of 2010 which was derived 28% from acquisition, a negative impact of 4% due to currency and with 19% organic growth at constant currency. The acquisition of Fredhopper and growth investment in SDL LiveContent™ during the period reduced margins by approximately 2%. Overall licence revenues were ahead of the prior year following completion of a well executed integration of XyEnterprise into SDL and hence reflecting strong cross selling in the Structured Content Management business.

As part of our continued investment in innovation we launched SDL LiveContent™, a dynamic publishing solution for technical documentation that addresses the evolving demands of Internet and Smartphone users who expect on-demand, personalized, interactive technical documentation rather than in static PDF and print format. This next generation product integrates with the SDL Trisoft™ Component Document Content Management solution, empowering companies to transform static documentation managed as publications into rich interactive, web-based information with animated graphics, sophisticated search for easy navigation and analytics that allow companies to understand how customers are using their content.

We also launched SDL SmartTarget, an integration of the SDL Fredhopper technology into the SDL Tridion product suite, enhancing the reach and functionality of our Web Content Management solutions into the targeting and personalisation arena, a technology that we consider will play a key role in the future of Web Content Management.

**Language Technologies** (contributing £14.6 million or 15% revenue to the Group and £1.3 million or 8% of the PBTA) *(2009: contributing £14.7 million or 18% revenue to the Group and £1.7 million or 11% of the PBTA)*

Headline Language Technologies revenues were flat compared to the first half of 2009 and slightly ahead of the second half of 2009. Constant currency revenues were 2% above 2009 for the period. Overall licence sales saw good recovery from 2009 and were ahead by 9% (approximately 11% in constant currency), with lower services activity lagging from 2009 demand offsetting this licence growth. We saw acceleration in demand in the second quarter following new initiatives on desktop adoption and focussed marketing approaches in Europe and Asia. We see a degree of regional contrast in performance with the North American Enterprise business moving forward strongly, offset by a slower demand environment for Enterprise products in Europe.

We continued to invest significantly in building our Language Technologies business, investing further into our enhanced integrated language platform. We have also strengthened our organization in China following the strong adoption of SDL Trados® Studio and SDL Translation Memory Server, our entry level translation management system. Our SaaS offering in the enterprise space is also generating significant client interest.

**Language Services** (contributing £59.0 million or 63% of group revenue and £11.8 million or 72% of PBTA). *(2009: contributing £54.0 million or 64% of group revenue and £10.0 million or 69% of PBTA).*

In the Language Services segment, headline revenue grew by 9% in the first half of 2010, with constant currency revenues 12% ahead of prior year. We are very pleased to see continued recovery of the demand environment and pipeline strengthening in this business, with activity levels continuing to rise, led by North American and Asian demand. This consisted of both increases in our base business and acceleration in momentum from new wins consolidating into our revenue base. We are very pleased with how the business is positioned at this stage in the economic recovery and in the absence of further economic decline we expect this improvement in momentum to be sustained. The resilience of the profit model continues to be very strong and effort on sourcing strategy, network development and optimisation and process efficiency using SDL technology, as targeted in 2009, has further strengthened profitability.

### **Our Vision and Strategy for Global Information Management**

We have continued to move forward with the execution of our strategy in the first half of 2010; strengthening our capability to offer clients the best technology and service solutions possible, to manage their key global information and content needs. We are accelerating investment to provide solutions for the new digital age, and it is exciting to see our portfolio further strengthened by the addition of Xopus, which extends the provision of structured content management solutions to non technical authors; and Language Weaver, which brings best in class Statistical Machine Translation capability to the SDL portfolio and further extends the breadth and reach of our language solutions. It also gives us pleasure to see the launch of the SDL LiveContent™ product to strengthen our graphical, interactive and electronic delivery of structured content solutions. We further invest in our language technology platform integration towards an industry leading open and scalable platform. Our commitment to be the innovator who makes trends, rather the follower who reacts to them, remains undiminished. It is also fantastic to see the launch of SDL SmartTarget, an integration of the SDL Fredhopper technology into our Web Content Management product, SDL Tridion. We are seeing an increasing number of our key accounts purchase multiple integrated solutions of technology and services from SDL. 2010 has seen an acceleration of multiple offerings into clients such as Emirates, Alcatel-Lucent, Intel, Micro Focus, Cisco, Philips, Dell, TomTom, Mandarin Oriental Hotel Group and Yamaha. We look forward to continuing to innovate and evolve our solutions to help our clients maximise revenue potential across their increasingly global customer bases. We will continue to focus on providing the solutions to manage global digital content from creation to publishing.

### **Outlook and Current Trading**

In the first half of 2010 we delivered excellent results, resumed constant currency growth in each of our businesses and accelerated our pace of execution. We have also completed two acquisitions so far this year. Our business continues to grow, with an excellent combination of growth potential as well as solid defensive characteristics. Our success in the first half was partially due to cross leveraging, where we expect to see continued momentum in H2 2010, and market stability, with growth in China and North America. We expect European economies to remain broadly flat in the second half of 2010, as was the case in the first half of 2010, with continued modest growth in the North American and Asian economies. We anticipate SDL will continue to outperform in our market sectors. The scope of our Global Information Management solutions has further expanded and become more integrated. We feel confident moving into the second half of 2010 and beyond, that our strategy and execution will continue to deliver growth and stability.

Mark Lancaster

Chairman and CEO

SDL plc

2 August 2010

**SDL plc**  
**Interim Condensed Consolidated Income Statement**

|  | Notes | Unaudited<br>6 months to<br>30 June<br>2010<br>£'000 | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to 31<br>December<br>2009<br>£'000 |
|--|-------|--|--|--|
| <b>Continuing Operations</b>                                       |       |  |  |  |
| Sale of goods  |       | 14,379   | 12,221   | 25,363   |
| Rendering of services  |       | 80,121   | 71,072   | 146,515  |
| <b>REVENUE</b>   | 3     | <b>94,500</b>  | 83,293   | 171,878  |
| Cost of sales  |       | (41,789)   | (37,545)   | (76,387)   |
| <b>GROSS PROFIT</b>  |       | <b>52,711</b>  | 45,748   | 95,491   |
| Administrative expenses  |       | (36,553)   | (31,500)   | (66,096)   |
| <b>OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS</b>   |       |  |  |  |
| Amortisation of intangible assets                                  |       | (3,476)  | (2,740)  | (5,808)  |
| <b>OPERATING PROFIT</b>  | 4     | <b>12,682</b>  | 11,508   | 23,587   |
| Finance revenue  |       | 174  | 271  | 426  |
| <b>PROFIT BEFORE TAX</b>   |       | <b>12,856</b>  | 11,779   | 24,013   |
| Tax expense  | 5     | (3,233)  | (3,121)  | (6,060)  |
| <b>PROFIT FOR THE PERIOD</b>                                       |       | <b>9,623</b>   | 8,658  | 17,953   |
| Profit for the period attributable to equity holders of the parent |       | 9,623  | 8,649  | 17,944   |
| Non controlling interest   |       | -  | 9  | 9  |
|  |       | <b>9,623</b>   | 8,658  | 17,953   |
|  |       | <b>Pence</b>   | Pence  | Pence  |
| Earnings per ordinary share - basic (pence)                        | 6     | 12.44  | 11.41  | 23.55  |
| Earnings per ordinary share - diluted (pence)                      | 6     | 12.05  | 10.98  | 22.79  |

**Adjusted earnings per ordinary share (basic and diluted) are shown in note 6.**

**SDL plc**  
**Interim Condensed Statement of Comprehensive Income**

|   | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to 31<br>December<br>2009<br>£'000 |
|---|---|--|--|
| Profit for the period   | <b>9,623</b>  | 8,658  | 17,953   |
| Currency translation differences on foreign operations  | <b>(7,154)</b>  | (21,812)   | (13,549)   |
| Currency translation differences on foreign currency equity loans to foreign subsidiaries                                 | <b>2,104</b>  | 3,653  | 2,255  |
| Income tax (charge)/ benefit on currency translation differences on foreign currency equity loans to foreign subsidiaries | <b>(449)</b>  | -  | 847  |
| <b>Other comprehensive income</b>   | <b>(5,499)</b>  | (18,159)   | (10,447)   |
| <b>Total comprehensive income</b>   | <b>4,124</b>  | (9,501)  | 7,506  |
| Attributable to:  |   |  |  |
| Equity holders of the parent  | <b>4,124</b>  | (9,510)  | 7,497  |
| Non controlling interest  | -   | 9  | 9  |
|   | <b>4,124</b>  | (9,501)  | 7,506  |

**SDL plc**  
**Interim Condensed Consolidated Statement of Financial Position**

|   | Notes | Unaudited<br>30 June<br>2010<br>£'000 | Unaudited<br>30 June<br>2009<br>£'000 | Audited<br>31 December<br>2009<br>£'000 |
|---|-------|---------------------------------------|---------------------------------------|---|
| <b>ASSETS</b>                                       |       |                                       |                                       |   |
| <b>NON CURRENT ASSETS</b>                           |       |                                       |                                       |   |
| Property, plant and equipment                       |       | 4,939                                 | 4,044                                 | 5,005                                   |
| Intangible assets                                   |       | 132,875                               | 131,183                               | 137,624                                 |
| Deferred income tax                                 |       | 5,751                                 | 4,189                                 | 5,621                                   |
| Rent deposits                                       |       | 851                                   | 655                                   | 819                                     |
|   |       | <b>144,416</b>                        | <b>140,071</b>                        | <b>149,069</b>                          |
| <b>CURRENT ASSETS</b>                               |       |                                       |                                       |   |
| Trade and other receivables                         |       | 40,281                                | 34,135                                | 39,454                                  |
| Financial assets                                    | 9     | -                                     | 44                                    | -                                       |
| Current tax asset                                   |       | 898                                   | 1,330                                 | 1,002                                   |
| Cash and cash equivalents                           |       | 55,482                                | 32,919                                | 46,160                                  |
|   |       | <b>96,661</b>                         | <b>68,428</b>                         | <b>86,616</b>                           |
| <b>TOTAL ASSETS</b>                                 |       | <b>241,077</b>                        | <b>208,499</b>                        | <b>235,685</b>                          |
| <b>LIABILITIES</b>                                  |       |                                       |                                       |   |
| <b>CURRENT LIABILITIES</b>                          |       |                                       |                                       |   |
| Trade and other payables                            |       | (43,548)                              | (39,268)                              | (45,504)                                |
| Current tax liabilities                             |       | (8,833)                               | (6,887)                               | (6,794)                                 |
| Provisions  |       | (1,310)                               | (38)                                  | (1,102)                                 |
|   |       | <b>(53,691)</b>                       | <b>(46,193)</b>                       | <b>(53,400)</b>                         |
| <b>NON CURRENT LIABILITIES</b>                      |       |                                       |                                       |   |
| Interest bearing loans and borrowings               | 7     | -                                     | -                                     | -                                       |
| Other payables                                      |       | (33)                                  | (107)                                 | (65)                                    |
| Deferred income tax                                 |       | (6,553)                               | (6,481)                               | (7,298)                                 |
| Provisions  |       | (1,320)                               | (1,060)                               | (1,817)                                 |
|   |       | <b>(7,906)</b>                        | <b>(7,648)</b>                        | <b>(9,180)</b>                          |
| <b>TOTAL LIABILITIES</b>                            |       | <b>(61,597)</b>                       | <b>(53,841)</b>                       | <b>(62,580)</b>                         |
| <b>NET ASSETS</b>                                   |       | <b>179,480</b>                        | <b>154,658</b>                        | <b>173,105</b>                          |
| <b>EQUITY</b>                                       |       |                                       |                                       |   |
| Share capital                                       |       | 778                                   | 760                                   | 770                                     |
| Share premium                                       |       | 94,661                                | 92,916                                | 93,207                                  |
| Shares to be issued                                 |       | -                                     | 203                                   | 203                                     |
| Retained earnings                                   |       | 60,833                                | 39,784                                | 50,218                                  |
| Foreign exchange differences                        |       | 23,208                                | 20,995                                | 28,707                                  |
| <b>TOTAL EQUITY</b>                                 |       | <b>179,480</b>                        | <b>154,658</b>                        | <b>173,105</b>                          |
| <b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b> |       | <b>179,480</b>                        | <b>154,658</b>                        | <b>173,105</b>                          |

The Interim Financial Information presented in this Interim Report was approved by the Board of Directors on 2 August 2010.



**SDL plc**  
**Interim Condensed Consolidated Statement of Changes in Equity**

|   | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Shares<br>to be<br>Issued<br>£'000 | Retained<br>Earnings<br>£'000 | Foreign<br>Exchange<br>Differences<br>£'000 | Non<br>controlling<br>interest<br>£'000 | Total<br>£'000 |
|---|---------------------------|---------------------------|------------------------------------|-------------------------------|---|---|----------------|
| <b>At 31 December<br/>2008<br/>(audited)</b>    | <b>757</b>                | <b>92,483</b>             | <b>406</b>                         | <b>30,250</b>                 | <b>39,154</b>                               | <b>(21)</b>                             | <b>163,029</b> |
| Profit for the<br>period                        | -                         | -                         | -                                  | 8,649                         | -   | 9                                       | 8,658          |
| Other<br>comprehensive<br>income                | -                         | -                         | -                                  | -                             | (18,159)                                    | -                                       | (18,159)       |
| Total<br>comprehensive<br>income                | -                         | -                         | -                                  | 8,649                         | (18,159)                                    | 9                                       | (9,501)        |
| Deferred taxation<br>on share based<br>payments | -                         | -                         | -                                  | (13)                          | -   | -                                       | (13)           |
| Arising on share<br>issues                      | 3                         | 230                       | -                                  | -                             | -   | -                                       | 233            |
| Arising on<br>acquisition of<br>Trisoft         | -                         | -                         | -                                  | -                             | -   | 12                                      | 12             |
| Arising on<br>acquisition of<br>Passolo         | -                         | 203                       | (203)                              | -                             | -   | -                                       | -              |
| Share-based<br>payments                         | -                         | -                         | -                                  | 898                           | -   | -                                       | 898            |
| <b>At 30 June 2009<br/>(unaudited)</b>          | <b>760</b>                | <b>92,916</b>             | <b>203</b>                         | <b>39,784</b>                 | <b>20,995</b>                               | <b>-</b>                                | <b>154,658</b> |
| Profit for the period                           | -                         | -                         | -                                  | 9,295                         | -   | -                                       | 9,295          |
| Other<br>comprehensive<br>income                | -                         | -                         | -                                  | -                             | 7,712                                       | -                                       | 7,712          |
| Total<br>comprehensive<br>income                | -                         | -                         | -                                  | 9,295                         | 7,712                                       | -                                       | 17,007         |
| Deferred taxation<br>on share based<br>payments | -                         | -                         | -                                  | (207)                         | -   | -                                       | (207)          |
| Tax credit for share<br>options                 | -                         | -                         | -                                  | 635                           | -   | -                                       | 635            |
| Arising on share<br>issues                      | 10                        | 303                       | -                                  | -                             | -   | -                                       | 313            |
| Arising on share<br>cancellation                | -                         | (12)                      | -                                  | -                             | -   | -                                       | (12)           |
| Arising on<br>acquisition of<br>Trisoft         | -                         | -                         | -                                  | -                             | -   | -                                       | -              |
| Share-based<br>payments                         | -                         | -                         | -                                  | 711                           | -   | -                                       | 711            |
| <b>At 31 December<br/>2009<br/>(audited)</b>    | <b>770</b>                | <b>93,207</b>             | <b>203</b>                         | <b>50,218</b>                 | <b>28,707</b>                               | <b>-</b>                                | <b>173,105</b> |

|   |            |               |          |               |               |          |                |
|---|------------|---------------|----------|---------------|---------------|----------|----------------|
| Profit for the period                     | -          | -             | -        | 9,623         | -             | -        | 9,623          |
| Other comprehensive income                | -          | -             | -        | -             | (5,499)       | -        | (5,499)        |
| Total comprehensive income                | -          | -             | -        | 9,623         | (5,499)       | -        | 4,124          |
| Deferred taxation on share based payments | -          | -             | -        | (245)         | -             | -        | (245)          |
| Tax credit for share options              | -          | -             | -        | 452           | -             | -        | 452            |
| Arising on exercise of share options      | 8          | 1,251         | -        | -             | -             | -        | 1,259          |
| Arising on acquisition of Trisoft         | -          | -             | -        | -             | -             | -        | -              |
| Arising on acquisition of Passolo         | -          | 203           | (203)    | -             | -             | -        | -              |
| Share-based payments                      | -          | -             | -        | 785           | -             | -        | 785            |
| <b>At 30 June 2010 (unaudited)</b>        | <b>778</b> | <b>94,661</b> | <b>-</b> | <b>60,833</b> | <b>23,208</b> | <b>-</b> | <b>179,480</b> |

These amounts are attributable to equity holders of the parent company with the exception of non controlling interest.

**SDL plc**  
**Interim Condensed Consolidated Statement of Cash Flows**

|  | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|--|---|--|--|
| <b>Profit before tax</b>                                       | <b>12,856</b>   | 11,779   | 24,013   |
| Depreciation of property, plant and equipment                  | <b>1,057</b>  | 903  | 1,980  |
| Amortisation of intangible assets                              | <b>3,476</b>  | 2,740  | 5,808  |
| Finance costs  | -   | -  | -  |
| Finance revenue  | <b>(174)</b>  | (271)  | (353)  |
| Share-based payments   | <b>785</b>  | 898  | 1,609  |
| Loss on disposal of fixed assets                               | <b>82</b>   | -  | -  |
| Decrease/(increase) in trade and other receivables             | <b>(794)</b>  | 11,828   | 6,997  |
| (Decrease)/increase in trade and other payables and provisions | <b>(2,680)</b>  | (9,403)  | (3,981)  |
| Exchange differences   | <b>(1,406)</b>  | (1,688)  | 587  |
| <b>CASH GENERATED FROM OPERATIONS</b>                          | <b>13,202</b>   | 16,786   | 36,660   |
| Income tax paid  | <b>(2,439)</b>  | (4,102)  | (6,584)  |
| <b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>      | <b>10,763</b>   | 12,684   | 30,076   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |   |  |  |
| Payments to acquire property, plant and equipment              | <b>(1,496)</b>  | (527)  | (1,286)  |
| Receipts from sale of property, plant and equipment            | <b>24</b>   | 69   | 108  |
| Payment to acquire subsidiaries                                | <b>(1,000)</b>  | (9,159)  | (14,182)   |
| Net cash acquired with subsidiaries                            | <b>298</b>  | 1,287  | 1,427  |
| Interest received  | <b>174</b>  | 271  | 353  |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>             | <b>(2,000)</b>  | (8,059)  | (13,580)   |

**SDL plc**  
**Interim Condensed Consolidated Statement of Cash Flows**

|   | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|---|---|--|--|
| <b>FINANCING ACTIVITIES</b>                               |   |  |  |
| Net proceeds from issue of ordinary share capital         | 1,259   | 233  | 535  |
| Repayment of interest bearing loans and borrowings        | -   | -  | -  |
| Proceeds from new loans                                   | -   | -  | -  |
| Interest paid   | -   | -  | -  |
| <b>NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b> | <b>1,259</b>  | <b>233</b>   | <b>535</b>   |
| <b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <b>10,022</b>   | <b>4,858</b>   | <b>17,031</b>                                      |
| <b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>              |   |  |  |
| Cash and cash equivalents at start of the period          | 46,160  | 31,227   | 31,227   |
| Increase/(decrease) in cash and cash equivalents          | 10,022  | 4,858  | 17,031   |
| Effect of exchange rates on cash and cash equivalents     | (700)   | (3,166)  | (2,098)  |
| Net cash and cash equivalents at end of the period        | <b>55,482</b>   | <b>32,919</b>  | <b>46,160</b>                                      |

**SDL plc**  
**Notes to the Interim Condensed Consolidated Financial Statements**

**1. Basis of preparation and accounting policies**

**Basis of preparation**

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2009, except for the following change:

*IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

The Group adopted the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions no longer give rise to goodwill, nor give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes required by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share or the results for the period ended 30 June 2010.

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The principal risks and uncertainties are consistent with those disclosed in preparation of the Group's annual financial statements for the year ended 31 December 2009.

**2. Business Combinations**

**Acquisition of Xopus B.V.**

On 29 June 2010 the Group acquired 100% of the share capital of Xopus B.V., an unlisted company based in the Netherlands. The principal activity of Xopus B.V. is the provision of online XML editing.

The total cost of the combination comprises €1.5 million (£1.2 million) and was funded from the Group's existing cash resources.

The provisional fair value of the identifiable assets and liabilities of Xopus B.V. as at the date of acquisition were:

|   | <b>Book value</b> | <b>Provisional<br/>fair value to<br/>Group</b> |
|---|-------------------|--|
|   | <b>Unaudited</b>  |  |
|   | <b>£'000</b>      | <b>£'000</b>                                   |
| Intangible assets                           | -                 | 510  |
| Property, plant and equipment               | 18                | 18   |
| Cash and cash equivalents                   | 298               | 298  |
| Trade receivables                           | 52                | 52   |
| Other receivables                           | 14                | 14   |
| Trade payables                              | -                 | -  |
| Other payables                              | (548)             | (548)  |
| Deferred tax liabilities                    | -                 | (128)  |
| Net (liabilities) / assets                  | <u>(166)</u>      | 216  |
| Provisional Goodwill arising on acquisition |                   | <u>1,015</u>                                   |
|   |                   | <b><u>1,231</u></b>                            |

All fair values included in the above analysis are provisional fair values which are based upon management's best estimate at the date of preparation of the financial statements. The fair values are only provisional due to the proximity of the acquisition to the date of the reporting period.

Discharged by:

|  | <b>£'000</b>        |
|--|---------------------|
| Fair value of deferred consideration                       | 231                 |
| Cash paid to shareholders                                  | <u>1,000</u>        |
| Total cash payable   | <b><u>1,231</u></b> |
| Cash outflow on the acquisition:                           |                     |
| Net cash and cash equivalents acquired with the subsidiary | 298                 |
| Total cash paid  | <u>(1,000)</u>      |
| Net cash outflow   | <b><u>(702)</u></b> |

The maximum deferred consideration is £1.6 million. The fair value has been calculated at £0.2 million and under IFRS 3 (revised) any re-measurement will be recognised in the income statement.

From the date of acquisition Xopus B.V. has contributed £nil of revenue and a profit of £nil to the net profit after tax of the Group. If the combination had taken place at the beginning of the year, the profit for the Group would have been £9.6 million and revenue from continuing operations would have been £94.7 million. Included in the £1.0 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include assembled workforce.

#### **Provisional Fair value of XyEnterprise Inc. and Fredhopper B.V.**

There have been no changes to the provisional fair value of the identifiable assets and liabilities of XyEnterprise Inc. during the reporting period. The 12 month period for making changes to provisional fair values elapsed in June 2010. There have been no changes to the provisional fair values of the identifiable assets and liabilities of Fredhopper Group B.V. during the reporting period. The 12 month period for making changes to provisional fair values remains open until December 2010.

### 3. Segment information

The Group operates in the Global Information Management industry. For management purposes the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- The Language Services segment is the provision of a translation service to customer's multilingual content.
- The Language Technologies segment is the sale of enterprise and desktop technology developed to help automate and manage multilingual assets together with associated consultancy and other services.
- The Content Management Technologies segment is the sale of content management technologies developed to help automate and manage content to deliver a consistent, interactive and personalised customer experience, in multiple languages, across websites, documentation and channels.

Within the Content Management Technologies segment two operating segments have been aggregated to form the above reportable operating segment. The new acquisition, Xopus B.V., is included within one of these segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment prior to charges for tax and amortisation.

#### Six months ended 30 June 2010 (unaudited)

|  | Language<br>Services | Language<br>Technologies | Content<br>Management<br>Technologies | Adjustments* | Total  |
|--|----------------------|--------------------------|---------------------------------------|--------------|--------|
|  | £'000                | £'000                    | £'000                                 | £'000        | £'000  |
| External revenue                                 | 58,987               | 14,567                   | 20,946                                | -            | 94,500 |
| Internal revenue                                 | -                    | -                        | -                                     | -            | -      |
| Total revenue                                    | 58,987               | 14,567                   | 20,946                                | -            | 94,500 |
| Depreciation                                     | 572                  | 263                      | 222                                   | -            | 1,057  |
| Segment profit<br>before tax and<br>amortisation | 11,756               | 1,349                    | 3,429                                 | (202)        | 16,332 |
| Amortisation                                     |                      |                          |                                       |              | 3,476  |
| Profit before tax                                |                      |                          |                                       |              | 12,856 |

\*Deferred compensation relating to acquisitions

**Six months ended 30 June 2009 (unaudited)**

|  | <b>Language<br/>Services</b> | <b>Language<br/>Technologies</b> | <b>Content<br/>Management<br/>Technologies</b> | <b>Total</b>  |
|--|------------------------------|----------------------------------|--|---------------|
|  | <b>£'000</b>                 | <b>£'000</b>                     | <b>£'000</b>                                   | <b>£'000</b>  |
| External revenue                                 | 53,970                       | 14,664                           | 14,659   | 83,293        |
| Internal revenue                                 | -                            | -                                | -  | -             |
| <b>Total revenue</b>                             | <b>53,970</b>                | <b>14,664</b>                    | <b>14,659</b>                                  | <b>83,293</b> |
| Depreciation                                     | 551                          | 207                              | 145  | 903           |
| Segment profit<br>before tax and<br>amortisation | <b>9,968</b>                 | <b>1,658</b>                     | <b>2,893</b>                                   | <b>14,519</b> |
| Amortisation                                     |                              |                                  |  | <b>2,740</b>  |
| <b>Profit before tax</b>                         |                              |                                  |  | <b>11,779</b> |

**Year ended 31 December 2009 (audited)**

|  | <b>Language<br/>Services</b> | <b>Language<br/>Technologies</b> | <b>Content<br/>Management<br/>Technologies</b> | <b>Total</b>   |
|--|------------------------------|----------------------------------|--|----------------|
|  | <b>£'000</b>                 | <b>£'000</b>                     | <b>£'000</b>                                   | <b>£'000</b>   |
| External revenue                                 | 109,612                      | 29,103                           | 33,163   | 171,878        |
| Internal revenue                                 | -                            | -                                | -  | -              |
| <b>Total revenue</b>                             | <b>109,612</b>               | <b>29,103</b>                    | <b>33,163</b>                                  | <b>171,878</b> |
| Depreciation                                     | 1,142                        | 346                              | 492  | 1,980          |
| Segment profit<br>before tax and<br>amortisation | <b>19,842</b>                | <b>3,535</b>                     | <b>6,444</b>                                   | <b>29,821</b>  |
| Amortisation                                     |                              |                                  |  | <b>5,808</b>   |
| <b>Profit before tax</b>                         |                              |                                  |  | <b>24,013</b>  |

**Segment assets:**

|                               | <b>Language<br/>Services</b> | <b>Language<br/>Technologies</b> | <b>Content<br/>Management<br/>Technologies</b> | <b>Adjustments<br/>and<br/>eliminations</b> | <b>Total</b>   |
|-------------------------------|------------------------------|----------------------------------|--|---|----------------|
|                               | <b>£'000</b>                 | <b>£'000</b>                     | <b>£'000</b>                                   | <b>£'000</b>                                | <b>£'000</b>   |
| <b>At 30 June 2010</b>        | <b>51,827</b>                | <b>56,621</b>                    | <b>70,498</b>                                  | <sup>(1)</sup> <b>62,131</b>                | <b>241,077</b> |
| At 30 June 2009<br>(restated) | 44,841                       | 58,572                           | 66,648   | <sup>(2)</sup> 38,438                       | 208,499        |
| At 31 December 2009           | 48,266                       | 58,312                           | 76,324   | <sup>(3)</sup> 52,783                       | 235,685        |

(1) Segment assets do not include cash (£55,482,000), Corporation Tax (£898,000) and Deferred Tax (£5,751,000).

(2) Segment assets do not include cash (£32,919,000), Corporation Tax (£1,330,000) and Deferred Tax (£4,189,000).

(3) Segment assets do not include cash (£46,160,000), Corporation Tax (£1,002,000) and Deferred Tax (£5,621,000).

The split between Language Technologies and Content Management Technologies segment assets for the period ended 30 June 2009 has been restated to reflect the split of segment assets determined at the end of December 2009 when three segments were reported for the first time.

**Revenue by geographical destination was as follows:**

|                       | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|-----------------------|---|--|--|
| United Kingdom        | <b>8,327</b>  | 6,218  | 14,029   |
| Rest of Europe        | <b>32,955</b>   | 33,292   | 67,000   |
| USA                   | <b>33,049</b>   | 30,814   | 63,151   |
| Rest of North America | <b>9,042</b>  | 6,415  | 14,306   |
| Rest of the World     | <b>11,127</b>   | 6,554  | 13,392   |
|                       | <b>94,500</b>   | 83,293   | 171,878  |

**4. Operating profit**

|   | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|---|---|--|--|
| Is stated after charging/(crediting):                   |   |  |  |
| Research and development expenditure                    | <b>6,381</b>  | 4,774  | 11,043   |
| Bad debt (credit) / charge                              | <b>(102)</b>  | 84   | (374)  |
| Depreciation of owned and leased assets                 | <b>1,057</b>  | 903  | 1,980  |
| Amortisation of intangibles                             | <b>3,476</b>  | 2,740  | 5,808  |
| Operating lease rentals for plant and machinery         | <b>440</b>  | 319  | 912  |
| Operating lease rentals for land and buildings          | <b>2,659</b>  | 2,518  | 5,636  |
| Operating lease rentals received for land and buildings | -   | (75)   | (75)   |
| Net foreign exchange differences                        | <b>(1,101)</b>  | (542)  | 838  |
| Gain on foreign exchange derivatives                    | <b>(337)</b>  | (226)  | (352)  |

## 5. Taxation

|   | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|---|---|--|--|
| UK corporation tax:   |   |  |  |
| UK current tax on income for the period                       | 746   | 578  | 1,755  |
| Adjustments in respect of prior periods                       | -   | -  | -  |
|   | <b>746</b>  | 578  | 1,755  |
| Foreign tax:  |   |  |  |
| Current tax on income for the period                          | 3,283   | 2,212  | 4,714  |
| Adjustments in respect of prior periods                       | -   | -  | 123  |
|   | <b>3,283</b>  | 2,212  | 4,837  |
| Total current taxation  | <b>4,029</b>  | 2,790  | 6,592  |
| Deferred taxation:  |   |  |  |
| Origination and reversal of timing differences                | (551)   | 344  | (532)  |
| Deferred tax (debit)/credit for share options taken to equity | (245)   | (13)   | -  |
| Total deferred taxation                                       | <b>(796)</b>  | 331  | (532)  |
| Tax Expense   | <b>3,233</b>  | 3,121  | 6,060  |

A tax debit in respect of income tax charge on foreign currency translation differences on foreign currency loans to foreign subsidiaries was recognised in the statement of other comprehensive income of £449,000 in the six months to June 2010 (June 2009: £nil; December 2009 credit of £847,000).

A tax credit in respect of share based compensation for current taxation of £452,000 (June 2009: £nil; December 2009: £635,000) has been recognised in the statement of changes in equity in the year. A tax charge in respect of share based compensation for deferred taxation of £245,000 (June 2009: £13,000; December 2009: £220,000) has been recognised in the statement of changes in equity in the year.

Due to the requirements of IAS 12, in conjunction with IFRS 2, the Schedule 23 tax credit for share options exercised and deferred taxation on unexpired options have partly been recorded in equity. For the 6 months ended 30 June 2010 this has the effect of increasing the effective tax rate by approximately 1.6% (at 30 June 2009:-0.1%; at 31 December 2009: +1.7%).

## 6. Earnings per share

|  | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|--|---|--|--|
| Profit for the period attributable to equity holders of the parent | <b>9,623</b>  | 8,649  | 17,944   |
|  | <b>m</b>  | m  | m  |
| Basic weighted average number of shares (million)                  | <b>77.4</b>   | 75.8   | 76.2   |
| Employee share options and shares to be issued (million)           | <b>2.5</b>  | 2.9  | 2.5  |
| Diluted weighted average number of shares (million)                | <b>79.9</b>   | 78.7   | 78.7   |

### Adjusted earnings per share:

|  | <b>Unaudited<br/>6 months to<br/>30 June<br/>2010<br/>£'000</b> | Unaudited<br>6 months to<br>30 June<br>2009<br>£'000 | Audited<br>Year to<br>31 December<br>2009<br>£'000 |
|--|---|--|--|
| Profit for the period attributable to equity holders of the parent                 | <b>9,623</b>  | 8,649  | 17,944   |
| Amortisation of intangible fixed assets  | <b>3,476</b>  | 2,740  | 5,808  |
| Less: deferred tax benefit associated with amortisation of intangible fixed assets | <b>(973)</b>  | (760)  | (1,620)  |
| Adjusted profit for the period attributable to equity holders of the parent        | <b>12,126</b>   | 10,629   | 22,132   |
|  | <b>m</b>  | m  | m  |
| Basic weighted average number of shares (million)                                  | <b>77.4</b>   | 75.8   | 76.2   |
| Diluted weighted average number of shares (million)                                | <b>79.9</b>   | 78.7   | 78.7   |
|  | <b>Pence</b>  | Pence  | Pence  |
| Adjusted earnings per ordinary share – basic (pence)                               | <b>15.67</b>  | 14.02  | 29.05  |
| Adjusted earnings per ordinary share – diluted (pence)                             | <b>15.18</b>  | 13.50  | 28.11  |

## 7. Interest-bearing loans

The Group met the cost of acquisition of Xopus B.V. of £1.2 million from existing cash reserves. The undrawn committed borrowing facility is £20.0 million (December 2009: £20.0 million).

## 8. Share-based payments

On 12 April 2010, 570,305 Long Term Incentive Plan (LTIP) shares were awarded and on 4 June 2010, 187,995 stock options were awarded to certain key senior executives and employees of the SDL Group. The exercise price of the options of 453.80 pence represents the mid market price on the day before grant.

## **9. Derivatives and other financial instruments**

At 30 June 2010 the Group had no derivative financial instruments. At 30 June 2009, the Group had forward contracts to sell \$2 million each month through to 28 August 2009 at between \$1.6142 to \$1.6152 to £1.00. As at 30 June 2009 the Group's hedging contracts were valued at an asset of £44,355. The exchange gains on these contracts were recognised in the income statement during the period as the hedging contracts do not qualify for hedge accounting.

## **10. General notes**

The financial information in these interim statements does not constitute statutory accounts as defined in Section 404 of the Companies Act 2006. The financial information for the year ended 31 December 2009 is based on the statutory accounts for the financial year ended 31 December 2009. Those accounts, upon which the auditors issued an unqualified opinion in accordance with section 495 Companies Act 2006 and did not contain a statement under section 498 (2) or (3) Companies Act 2006, have been delivered to the registrar of companies. The interim financial statements were approved by the Board of Directors on 2 August 2010.

## **11. Events after the statement of financial position date**

On 23 July 2010, the Group acquired 100% of Language Weaver (an unlisted company based in the United States of America) for \$40.5 million (£26.9 million) funded from the Group's existing cash reserves. The principal activity of Language Weaver is the provision of machine translation based Language Technologies. The Chairman's statement describes the primary reasons for the business combination. Additional disclosures required under IFRS 3 (Revised) will be included in the 31 December 2010 annual financial statements once the initial accounting for the business combination has been finalised.

There are no other known events occurring after the statement of financial position date that require disclosure.

## **Responsibility Statement by the Management Board**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

For and on behalf of the Board

John Hunter

## **Independent Review Report to SDL plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash Flows, and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

P Gresham  
**for and on behalf of KPMG Audit Plc**

*Chartered Accountants*  
8 Salisbury Square  
London  
EC4Y 8BB