



1 March 2010

SDL PLC

Preliminary results for the year ended 31 December 2009

Resilience of business model and focus on innovation support strong performance in difficult economic times

SDL plc (“SDL” or “the Group”), the leading provider of Global Information Management (GIM) solutions, announces its unaudited preliminary results for the year ended 31 December 2009.

	2009 £'000	2008 £'000	% Change
Income Statement:			
Revenue	171,878	158,775	+8
Profit before tax and amortisation of intangibles	29,821	25,593	+17
Profit before tax	24,013	19,850	+21
Earnings per ordinary share - basic (pence)	23.55	19.21	+23
Adjusted earnings per ordinary share – basic (pence)	29.05	24.99	+16
Balance Sheet:			
Total equity	173,105	163,029	+6
Cash and cash equivalents	46,160	31,227	+48
Interest bearing loans and borrowings	-	-	-

Operational highlights

- A record year for sales and PBTA in a difficult economy
- New customers include Continental Airlines, Shell, Ford Motor Company, the United Nations, and LG
- Continued focus on technological innovation with increased R&D investment
- 2 new product launches
- 2 strategic acquisitions strengthen market positioning:
 - o XyEnterprise in structured content management
 - o Fredhopper in online eCommerce
- Strongly cash generative
- Demand stabilisation in Q4 2009
- Pipeline building and acceleration in cross-leveraging

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

“I am delighted to report another year of record revenue and operating profit delivery by SDL, demonstrating the resilience of our business model in the difficult global economic conditions experienced in 2009.”

“2009 was an excellent year for SDL. We increased our investment in innovation through both increased investment in research and development, delivering two major product releases, together with two significant strategic acquisitions. The acquisition of XyEnterprise makes SDL a leader in structured content management and the acquisition of Fredhopper gave us a best of breed solution in online eCommerce.”

“We exit 2009 pleased that we have delivered in a difficult global economy and convinced that we have a suite of technologies and services that really is world class. Penetration of the web and globalization of trade will continue to drive the needs of major corporations to engage with their customers effectively in multiple languages. Providing solutions that allow organisations to acquire

new customers and increase the satisfaction and intimacy for existing customers is at the core of the SDL proposition to our clients. We now truly have end to end solutions based on an open scalable platform that is industry leading.”

“Given the excellent cash generation we anticipate paying our first dividend for the 2010 financial year. This will not alter the Board’s strategy of pursuing strong growth, but will provide a return to those investors that value income as well as growth.”

“We believe the business is well positioned for future growth. We are very pleased with the results of active cross leveraging of our business units as we see an increased demand from clients adopting multiple SDL solutions. Our net cash position of £46.2 million positions us well and gives considerable financial stability and flexibility.”

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SDL plc

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About SDL

SDL is the leader in Global Information Management solutions, which provide increased 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, FIAT, FICO, Google, Hewlett-Packard, KLM, Microsoft, NetApp, Philips, SAP, Sony and Virgin Atlantic. SDL has over 1000 enterprise customers, and provides access to on-demand portals for 10 million customers per month. It has a global infrastructure of more than 50 offices in 32 countries. For more information, visit www.sdl.com.

Chairman's Statement

Summary Performance

I am delighted to report another year of record revenue and operating profit delivery by SDL, demonstrating the resilience of our business model in the difficult global economic conditions experienced in 2009.

2009 was an excellent year for SDL. We increased our investment in innovation through both increased investment in research and development, delivering two major product releases, together with two significant strategic acquisitions. The acquisition of XyEnterprise makes SDL a leader in structured content management and the acquisition of Fredhopper gave us a best of breed solution in online eCommerce. Two new members were welcomed to the Board, significantly strengthening our independent non-executive director pool and we welcomed Alan Sloan to the executive management team as CEO of the Language Technologies division.

Revenue for 2009 was £171.9 million (2008: £158.8 million). Profits before taxation and amortisation of intangible assets ("PBTA") for the period was £29.8 million (2008: £25.6 million) with profit before taxation of £24.0 million (2008: £19.9 million). Net cash in the business at the end of the period was £46.2 million (2008: £31.2 million) after spending £14.2 million on acquisitions during the year.

This year, given the significant expansion of the business into the content management arena, we are reporting our performance in three operating segments - Content Management Technologies, Language Technologies and Language Services. This provides increased transparency that we anticipate will be useful to our investors.

All three of our operating segments delivered positive headline revenue growth in 2009, and at group level the 8% revenue growth comprised 14% from currency and 2% from the inclusion of Idiom and XyEnterprise not in prior year comparables, with constant currency decline of 8%. We saw significant improvement in our pipeline in the latter part of 2009 both in our Language Services and Technologies businesses. As a result in the fourth quarter we grew our revenue by 10% at constant currency from the previous quarter, excluding acquisitions. It is encouraging to see a relative strengthening of the demand environment and this, combined with driving collaboration and operational efficiency across our business puts us in very good shape for any recovery in the economy. We have made excellent progress integrating XyEnterprise into the SDL Group, with 40% of the new name customers buying other SDL solutions.

We have again increased our operating cash flow which we have done consistently year on year and our business retains its strong cash conversion characteristics. Cash flow from operations stood at £30.1 million (2008: £26.4 million). We ended the year with £46.2 million of cash and no external debt which gives us considerable flexibility and security to pursue acquisitions and future growth opportunities. Sound progress has been made in the control of receivables and robust mechanisms are in place to make appropriate expenditure choices, realising efficiencies in some areas of our operation whilst continuing to grow expenditures on items that generate future growth such as R&D. Given the excellent cash generation we anticipate paying our first dividend for the 2010 financial year. This will not alter the Board's strategy of pursuing strong growth, but will provide a return to those investors that value income as well as growth.

Content Management Technologies (contributing £33.2 million or 19% revenue to the Group and £6.4 million or 22% of the PBTA) (2008: contributing £25.1 million or 16% revenue to the Group and £3.4 million or 13% of the PBTA)

Overall revenue in this segment grew by 32%, 13% due to acquisition, 13% due to foreign exchange and 6% growth at constant currency. This is a particularly pleasing performance given that the integration of a newly acquired business was managed during the current year. This gives us strong encouragement for the future.

SDL Web Content Management Solutions performed well, with excellent progress made in building the business in North America given our strong strategic focus on this region. In addition a significant new product release was implemented during the year. This new product, SDL Tridion 2009, is a unified marketing suite providing a complete end-to-end solution for customer engagement.

The integration of XyEnterprise has progressed very well with the Structured Content Technologies products, formally XyEnterprise and Trisoft, offered on a global basis across the client base. Feedback from the market underscores that the combination of these businesses creates an industry leader in XML publishing and component content management and the business is well positioned for the future.

Some of the new clients that invested in content management technology included Informatica, Linde, Hewlett Packard, Chevron Corporation, Nexway and NetApp.

Language Technologies (contributing £29.1 million or 17% revenue to the Group and £3.5 million or 12% of the PBTA) (2008: contributing £27.6 million or 17% revenue to the Group and £3.5 million or 14% of the PBTA)

Overall headline sales growth was 6% in the language technologies business of which 15% was due to currency, 1% due to acquisition, with a constant currency sales decline of 10%.

The Language Technologies business proved resilient to global economic conditions. Whilst enterprise licence revenue in Europe declined as anticipated, licence revenue actually grew in North America and Asia. An increasing number of clients invested in language technology in 2009 such as LG, Ford Motor Company, the UN and Cisco. It is very pleasing to see many more new customers adopting multiple SDL solutions across their business. Support and maintenance revenue remained very robust in 2009.

We continue to invest in building our language technology business and shipped our new translator's desktop product in June - SDL Trados® Studio 2009 is bringing new ways of working and productivity benefits to freelance translators. Sales of this product have started to accelerate towards the end of 2009. We are seeing a significant increase in our SDL Trados Studio technology revenue in China based on an increasing desire to manage content in multiple languages in a structured way.

Language Services (contributing £109.6 million or 64% of group revenue and £19.8 million or 66% of PBTA). (2008: contributing £106.1 million or 67% of group revenue and £18.7 million or 73% of PBTA).

In the Language Services segment, overall revenues grew by 3% in 2009 with 14% attributable to currency and down 11% in constant currency. The demand environment has recovered in the second half of 2009 with activity increasing in some parts of our business supplemented by an encouraging set of recent wins which are consolidating into the revenue base. New wins include American Heart Association, Inverness Medical Innovations, Inc, Microfocus, Continental Airlines and Shell. The profitability of the business continues to improve demonstrating significant resilience to the economy. Considerable effort has been put into our sourcing strategy and process efficiencies throughout the global network by utilizing SDL's technology. We invested in machine translation in 2004 and are now the market leaders in integrating human and machine translation into the complex process of translation. These investments have equipped us well to manage the fast moving language translation market place to maximise margins.

Our Vision and Strategy for Global Information Management

We exit 2009 pleased that we have delivered in a difficult global economy and convinced that we have a suite of technologies and services that really is world class. Penetration of the web and globalization of trade will continue to drive the needs of major corporations to engage with their customers effectively in multiple languages. Providing solutions that allow organisations to acquire new customers and increase the satisfaction and intimacy for existing customers is at the core of the SDL proposition to our clients. We now truly have end-to-end solutions based on an open scalable platform that is industry leading.

We continue to see trends in content and media moving online and the increased requirements for local language and these trends play well into our Global Information Management Strategy. The Fredhopper acquisition gives us a leading position in the exciting world of online retail ecommerce, which we believe will grow rapidly as the 'internet born' generation move into industry and become important decision makers. Our acquisition of Trisoft, and more recently XyEnterprise, provide businesses with the capability to create, manage and share structured content from user manuals to support knowledge bases.

When our web content management, structured content management and translation management technologies are used in concert, we are able to give companies considerable time-to-market advantages, brand consistency and cost advantages for content across their enterprise. The tangible evidence for this is the adoption of multiple solutions from SDL across a number of our major global clients such as HP, Canon, Intel, Dell, Informatica, Renault, Case New Holland and AGCO and many more. In fact in 2009, 42 of the top 50 global brands use SDL solutions to help them maximise revenues.

Industry analysts such as Forrester and Gartner are giving increasing focus to the management of content in multiple languages and we are therefore confident that we have the right strategy and we will see increasing adoption of Global Information Management strategies in 2010.

Outlook and current trading

Our business has demonstrated considerable resilience to the global economy in 2009 and despite seeing continued fragility in some sections of the economy we have seen stabilization and subsequently some recovery in activity levels and demand.

We believe the business is well positioned for future growth. We are very pleased with the results of active cross leveraging of our business units as we see an increased demand from clients adopting multiple SDL solutions. Our net cash position of £46.2 million positions us well and gives considerable financial stability and flexibility.

We are confident in our growth prospects and with our strategy, vision and committed leadership team, we believe the business continues to offer an excellent opportunity for long term value creation and profitable growth.

Mark Lancaster

Chairman

SDL plc
UNAUDITED CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	<i>Notes</i>	2009 £'000	2008 £'000
Sale of goods		25,363	24,102
Rendering of services		146,515	134,673
REVENUE	3	171,878	158,775
Cost of sales		(76,387)	(71,884)
GROSS PROFIT		95,491	86,891
Administrative expenses – excluding amortisation of intangibles	4	(66,096)	(61,298)
OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS		29,395	25,593
Administration expenses - amortisation of intangible assets	4	(5,808)	(5,743)
OPERATING PROFIT	4	23,587	19,850
Finance revenue		426	471
Finance costs		-	(462)
Share of loss of associate		-	(9)
PROFIT BEFORE TAX		24,013	19,850
Tax expense	5	(6,060)	(5,310)
PROFIT FOR THE YEAR		17,953	14,540
Profit for the year attributable to equity holders of the parent		17,944	14,485
Minority interest		9	55
		17,953	14,540
Earnings per ordinary share – basic (pence)	6	23.55	19.21
Earnings per ordinary share – diluted (pence)	6	22.79	18.75
Adjusted earnings per ordinary share – basic (pence)	6	29.05	24.99
Adjusted earnings per ordinary share – diluted (pence)	6	28.11	24.38

SDL plc
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	<i>Notes</i>	2009 £'000	<i>2008</i> <i>£'000</i>
Profit for the period		17,953	14,540
Currency translation differences on foreign operations		(13,549)	36,527
Currency translation differences on foreign currency equity loans to foreign subsidiaries		2,255	(2,311)
Income tax benefit on currency translation differences on foreign currency equity loans to foreign subsidiaries	5	847	-
OTHER COMPREHENSIVE INCOME		(10,447)	34,216
TOTAL COMPREHENSIVE INCOME		7,506	48,756
Attributable to:			
Equity holders of the parent		7,497	48,701
Minority interests		9	55
		7,506	48,756

SDL plc
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	<i>Notes</i>	2009	2008
		£'000	£'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment		5,005	4,524
Intangible assets	7	137,624	138,225
Investment in an associate		-	-
Deferred tax asset		5,621	6,455
Rent deposits		819	641
		149,069	149,845
CURRENT ASSETS			
Trade and other receivables		40,456	45,098
Cash and cash equivalents	9	46,160	31,227
		86,616	76,325
TOTAL ASSETS		235,685	226,170
CURRENT LIABILITIES			
Trade and other payables		(45,504)	(43,527)
Financial liabilities		-	(2,016)
Current tax liabilities		(6,794)	(8,252)
Provisions		(1,102)	(38)
		(53,400)	(53,833)
NON CURRENT LIABILITIES			
Other payables		(65)	(124)
Deferred tax liability		(7,298)	(8,100)
Provisions		(1,817)	(1,084)
		(9,180)	(9,308)
TOTAL LIABILITIES		(62,580)	(63,141)
NET ASSETS		173,105	163,029
EQUITY			
Share capital		770	757
Share premium account		93,207	92,483
Shares to be issued		203	406
Retained earnings		50,218	30,250
Foreign exchange differences		28,707	39,154
TOTAL EQUITY ATTRIBUTABLE TO		173,105	163,050
EQUITY HOLDERS OF THE PARENT			
Minority interest		-	(21)
TOTAL EQUITY		173,105	163,029

SDL plc
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Retained Earnings £'000	Foreign Exchange Difference s £'000	Minority Interest £'000	Total £'000
At 1 January 2008	750	91,866	541	14,921	4,938	-	113,016
Profit for the period	-	-	-	14,485	-	55	14,540
Other comprehensive income	-	-	-	-	34,216	-	34,216
Total comprehensive income	-	-	-	14,485	34,216	55	48,756
Deferred income taxation on share based payments (Note 5)	-	-	-	(1,041)	-	-	(1,041)
Tax credit for share options (Note 5)	-	-	-	494	-	-	494
Arising on share issues	7	482	-	-	-	-	489
Arising on acquisition of Trisoft	-	-	-	-	-	(76)	(76)
Arising on acquisition of Passolo	-	135	(135)	-	-	-	-
Share based payments (Note 8)	-	-	-	1,391	-	-	1,391
At 31 December 2008	757	92,483	406	30,250	39,154	(21)	163,029

	Share Capital £'000	Share Premium Account £'000	Shares to be Issued £'000	Retained Earnings £'000	Foreign Exchange Difference s £'000	Minority Interest £'000	Total £'000
At 1 January 2009	757	92,483	406	30,250	39,154	(21)	163,029
Profit for the period	-	-	-	17,944	-	9	17,953
Other comprehensive income	-	-	-	-	(10,447)	-	(10,447)
Total comprehensive income	-	-	-	17,944	(10,447)	9	7,506
Deferred income taxation on share based payments (Note 5)	-	-	-	(220)	-	-	(220)
Tax credit for share options (Note 5)	-	-	-	635	-	-	635
Arising on share issues	13	533	-	-	-	-	546
Arising on share cancellation	-	(12)	-	-	-	-	(12)
Arising on acquisition of Trisoft	-	-	-	-	-	12	12
Arising on acquisition of Passolo	-	203	(203)	-	-	-	-
Share based payments (Note 8)	-	-	-	1,609	-	-	1,609
At 31 December 2009	770	93,207	203	50,218	28,707	-	173,105

SDL plc
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	<i>Notes</i>	2009	2008
		£'000	£'000
PROFIT BEFORE TAX		24,013	19,850
Depreciation of property, plant and equipment		1,980	1,630
Amortisation of intangible assets	7	5,808	5,743
Finance revenue		(353)	(471)
Finance costs		-	462
Share of loss of associate		-	9
Share based payments		1,609	1,391
Loss on disposal of property, plant & equipment		-	-
Decrease / (increase) in trade and other receivables		6,997	(8,565)
(Decrease) / increase in trade and other payables		(3,981)	9,723
Exchange differences		587	1,271
CASH GENERATED FROM OPERATIONS		36,660	31,043
Income tax paid		(6,584)	(4,647)
NET CASH FLOWS FROM OPERATING ACTIVITIES		30,076	26,396
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire property, plant & equipment		(1,286)	(2,323)
Receipts from sale of property, plant & equipment		108	78
Payments to acquire subsidiaries		(14,182)	(13,662)
Net cash acquired with subsidiaries		1,427	343
Interest received		353	471
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,580)	(15,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of ordinary share capital		535	489
Repayment of interest bearing loans and borrowings	9	-	(17,555)
Proceeds from new loans	9	-	9,500
Interest paid		-	(462)
NET CASH FLOWS FROM FINANCING ACTIVITIES		535	(8,028)
INCREASE IN CASH AND CASH EQUIVALENTS		17,031	3,275
MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the start of year		31,227	21,511
Increase in cash and cash equivalents	9	17,031	3,275
Effect of exchange rates on cash and cash equivalents	9	(2,098)	6,441
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	9	46,160	31,227

SDL plc
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING

Basis of preparation

These preliminary financial statements do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 and are unaudited.

The financial statements for the year ended 31 December 2009 have yet to be signed by the auditors.

The consolidated financial statements of SDL plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as relevant to the financial statements of SDL plc.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

IAS 1 Revised Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

IFRS 8 Operating Segments

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments should be expanded to three following the acquisition of XyEnterprise Inc growing the Content Management segment. Additional disclosures about each of these segments are shown in Note 3, including revised comparative information.

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because of a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

2. BUSINESS COMBINATIONS

Acquisition of Trisoft NV

On 24 April 2009 the Group acquired the remaining 5% of the voting rights of Trisoft NV (a company based in Belgium) taking its ownership to 100%. Cash consideration of £190,400 was paid. The book value of the net liabilities of Trisoft at this date were £202,000. The difference between the consideration and the book value of the interest acquired has been recognised as goodwill.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

Acquisition of XyEnterprise Inc

On 26 June 2009 the Group acquired 100% of the share capital of XyEnterprise Inc, an unlisted company based in the United States of America. The principal activity of XyEnterprise Inc is the provision of XML Component Content Management (CCM) and Dynamic Publishing solutions.

The total cost of the combination was \$14.8 million (£9.0 million) and was funded from the Group's existing cash resources.

The fair value of the identifiable assets and liabilities of XyEnterprise Inc as at the date of acquisition were:

	<i>Book value</i>	<i>Fair value to Group</i>
	<i>£'000</i>	<i>£'000</i>
Intangible assets	-	3,279
Property, plant and equipment	338	338
Cash and cash equivalents	1,287	1,287
Trade receivables	1,016	1,016
Other receivables	469	469
Trade payables	(68)	(68)
Other payables	(3,283)	(3,283)
Deferred tax assets	679	679
Deferred tax liabilities	-	(918)
Net assets	<u>438</u>	<u>2,799</u>
Goodwill arising on acquisition		<u>6,170</u>
		<u>8,969</u>

Discharged by:	<i>£'000</i>
Costs associated with the acquisition	83
Cash paid to shareholders	<u>8,886</u>
Total cash paid	<u>8,969</u>

Cash outflow on the acquisition:	
Net cash and cash equivalents acquired with the subsidiary	1,287
Total cash paid	<u>(8,969)</u>
Net cash outflow	<u>(7,682)</u>

From the date of acquisition XyEnterprise Inc has contributed £3.2 million of revenue and a profit of £0.2 million to the net profit after tax of the Group. If the combination had taken place at the beginning of the year, the profit after tax for the Group would have been £18.0 million and revenue from continuing operations would have been £175.1 million. Included in the £6.2 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.

Acquisition of Fredhopper Group BV

On 31 December 2009 the Group acquired 100% of the share capital of Fredhopper Group BV, an unlisted company based in the Netherlands. The principal activity of Fredhopper Group BV is the provision of targeting and marketing software for eCommerce.

The total cost of the combination was €5.6 million (£5.0 million) and was funded from the Group's existing cash resources.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

The provisional fair value of the identifiable assets and liabilities of Fredhopper Group BV as at the date of acquisition were:

	<i>Book value</i>	<i>Provisional fair value to Group</i>
	<i>£'000</i>	<i>£'000</i>
Intangible assets	-	1,506
Property, plant and equipment	39	39
Cash and cash equivalents	141	141
Trade receivables	500	500
Other receivables	106	106
Trade payables	(142)	(142)
Other payables	(1,055)	(1,055)
Deferred tax assets	329	329
Deferred tax liabilities	-	(422)
Net (liabilities) / assets	<u>(82)</u>	1,002
Goodwill arising on acquisition		<u>4,021</u>
		<u>5,023</u>

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:	£'000
Costs associated with the acquisition	48
Cash paid	<u>4,975</u>
Total	<u>5,023</u>
Cash outflow on the acquisition:	
Net cash and cash equivalents acquired with the subsidiary	141
Cash paid	<u>(5,023)</u>
Net cash outflow	<u>(4,882)</u>

From the date of acquisition Fredhopper Group BV has contributed £nil of revenue and £nil to the net profit of the Group. If the combination had taken place at the beginning of the year, the profit after tax for the Group would have been £17.5 million and revenue from continuing operations would have been £174.0 million. Included in the £4.0 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.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

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 technology 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.

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.

Year ended 31 December 2009

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

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

Year ended 31 December 2008

	Language Services	Language Technologies	Content Management Technologies	Adjustments and eliminations	Total
	£'000	£'000	£'000	£'000	£'000
External revenue	106,100	27,588	25,087	-	158,775
Internal revenue	-	-	-	-	-
Total revenue	106,100	27,588	25,087	-	158,775
Depreciation	1,048	370	212	-	1,630
Segment profit before tax and amortisation	18,658	3,528	3,407	-	25,593
Amortisation					(5,743)
Profit before tax					19,850

Unallocated assets include cash, loans and taxation.

Segment assets:

	Language Services	Language Technologies	Content Management Technologies	Adjustments and eliminations	Total
	£'000	£'000	£'000	£'000	£'000
Segments assets:					
At 31 December 2009	48,266	58,312	76,324	⁽¹⁾ 52,783	235,685
At 31 December 2008	54,103	70,221	63,603	⁽²⁾ 38,243	226,170

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

(2) Segment assets do not include cash (£31,227,000), Corporation Tax (£561,000) and Deferred Tax (£6,455,000).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

Geographical analysis of external revenues by country of domicile is as follows:

	2009	2008
	£'000	£'000
UK	51,662	52,329
USA	31,350	23,944
Republic of Ireland	22,456	20,376
Netherlands	11,616	11,606
Belgium	14,888	13,837
Germany	13,146	11,958
Canada	10,541	11,157
Rest of World	16,219	13,568
	171,878	158,775

Geographical analysis of non-current assets excluding deferred tax is as follows:

	2009	2008
	£'000	£'000
UK	129,138	139,327
USA	11,442	573
Rest of World	2,868	3,490
	143,448	143,390

Goodwill and intangibles recognised on consolidation are included in the country which initially acquired the business giving rise to the recognition of goodwill and intangibles.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

4. OTHER REVENUE AND EXPENSES

Group operating profit is stated after charging/(crediting):

	2009	2008
	£'000	£'000
Included in administrative expenses:		
Research and development expenditure	11,043	8,044
Bad debt (credit)/ charge	(374)	460
Depreciation of property, plant and equipment	1,980	1,630
Amortisation of intangible assets	5,808	5,743
Operating lease rentals for plant and machinery	912	763
Operating lease rentals for land and buildings	5,636	4,953
Operating lease rentals received for land and buildings	(75)	(150)
Net foreign exchange losses/ (gains)	838	(764)
(Gain)/ loss on derivatives	(352)	3,764

The net foreign exchange (gains) / losses above arose due to movements in foreign currencies between the time of the original transaction and the realisation of the cash collection or spend, and the retranslation of US Dollar and Euro denominated loans.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

5. INCOME TAX

(a) Income tax on profit:

Consolidated income statement

	2009	2008
	£'000	£'000
<i>Current taxation</i>		
<i>UK Income tax charge</i>		
Current tax on income for the period	1,755	1,758
Adjustments in respect of prior periods	-	(122)
	1,755	1,636
<i>Foreign tax</i>		
Current tax on income for the period	4,714	4,247
Adjustments in respect of prior periods	123	58
	4,837	4,305
Total current taxation	6,592	5,941
<i>Deferred income taxation</i>		
Origination and reversal of temporary differences	(532)	(554)
Adjustments in respect of prior periods	-	(77)
Total deferred income tax	(532)	(631)
Tax expense (see (b) below)	6,060	5,310

Consolidated statement of other comprehensive income

	2009	2008
	£'000	£'000
<i>Current taxation</i>		
<i>UK Income tax</i>		
Adjustment in respect of prior periods: Income tax benefit on currency translation differences on foreign currency equity loans to foreign subsidiaries	847	-
<i>Total current taxation</i>	847	-

A tax credit in respect of share based compensation for current taxation of £635,000 (2008: credit of £494,000) has been recognised in the statement of changes in equity in the year. A tax debit in respect of share based compensation for deferred taxation of £220,000 (2008: debit of £1,041,000) has been recognised in the statement of changes in equity in the year.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (cont.)

(b) Factors affecting tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of income tax in the UK of 28% (2008: 28.5%). The differences are reconciled below:

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	24,013	19,850
Profit on ordinary activities at standard rate of tax in the UK 28% (2008: 28.5%)	6,724	5,657
Expenses not deductible for tax purposes	191	22
Non deductible amortisation of intangibles	-	220
Non taxable income	-	(217)
Adjustments in respect of previous years	123	(141)
Utilisation of tax losses brought forward previously not recognised	(521)	(308)
Current tax losses not available for offset	147	631
Effect of overseas tax rates	(532)	(894)
Other	(72)	340
Tax expense (see (a) above)	6,060	5,310

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

6. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on a profit after tax of £17,944,000 (2008: £14,485,000) and 76,200,428 (2008: 75,386,189) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per ordinary share is calculated by including in the weighted average number of shares the dilutive effect of potential ordinary shares related to committed share options as described in note 8. For 2009 the diluted ordinary shares were based on 78,736,155 ordinary shares that included 2,535,727 potential weighted number of options.

The following reflects the income and share data used in the calculation of adjusted earnings per share computations:

	2009	2008
	£'000	£'000
Profit for the year	17,944	14,485
Amortisation of intangible fixed assets	5,808	5,743
Less: tax benefit associated with the amortisation of intangible fixed assets	(1,620)	(1,392)
Adjusted profit for the year	22,132	18,836

	2009	2008
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	76,200,428	75,386,189
Effect of dilution resulting from share options	2,535,727	1,871,780
Weighted average number of ordinary shares adjusted for the effect of dilution	78,736,155	77,257,969

	2009	2008
Adjusted earnings per ordinary share – basic (pence)	29.05	24.99
Adjusted earnings per ordinary share – diluted (pence)	28.11	24.38

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

7. INTANGIBLE ASSETS

	<i>Customers</i>	<i>Intellectual Property</i>	<i>Goodwill</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>				
At 1 January 2008	3,844	35,198	87,817	126,859
Acquisition of subsidiaries	1,641	2,449	11,737	15,827
Reclassification	-	(1,661)	1,661	-
Adjustment to deferred tax liability	-	-	(465)	(465)
Recovery of costs from Trados acquisition	-	-	(1,354)	(1,354)
Currency adjustment	1,727	9,239	20,470	31,436
At 1 January 2009	7,212	45,225	119,866	172,303
Acquisition of subsidiaries	2,712	2,073	10,393	15,178
Adjustment to deferred tax asset	-	-	(429)	(429)
Currency adjustment	(569)	(3,277)	(7,148)	(10,994)
At 31 December 2009	9,355	44,021	122,682	176,058
<i>Amortisation:</i>				
At 1 January 2008	(1,091)	(11,265)	(12,203)	(24,559)
Provided during the year	(988)	(4,755)	-	(5,743)
Currency adjustment	(598)	(3,178)	-	(3,776)
At 1 January 2009	(2,677)	(19,198)	(12,203)	(34,078)
Provided during the year	(1,225)	(4,583)	-	(5,808)
Currency adjustment	244	1,208	-	1,452
At 31 December 2009	(3,658)	(22,573)	(12,203)	(38,434)
<i>Net book value:</i>				
At 31 December 2009	5,697	21,448	110,479	137,624
At 1 January 2009	4,535	26,027	107,663	138,225

In 2008 £1,354,000 cash was received reflecting a reduction in the consideration paid for Trados Inc, acquired in 2005. In 2009, an adjustment of £429,000 was made to goodwill in respect of a deferred tax asset not recognised at the date of the Trados acquisition utilised during the year.

Customers and intellectual property are written off on a straight-line basis over its estimated useful life of between 5 and 15 years. As from 1 January 2004, the date of transition to IFRS, goodwill was no longer amortised but is now subject to annual impairment testing.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

8. SHARE-BASED PAYMENT PLANS

SDL Share Option Scheme

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Share Options Scheme during the year:

	2009	2009	<i>2008</i>	<i>2008</i>
	No.	WAEP	<i>No.</i>	<i>WAEP</i>
Outstanding at the beginning of the year	2,617,889	£2.03	2,861,508	£1.65
Granted during the year	340,940	£2.91	856,300	£2.79
Forfeited during the year	(494,500)	£3.21	(369,233)	£3.38
Exercised during the year	(462,289)	£1.12	(730,686)	£0.67
Expired during the year	-	-	-	-
Outstanding at the end of the year	<u>2,002,040</u>	<u>£2.11</u>	<u>2,617,889</u>	£2.03
Exercisable at 31 December	1,170,756	£1.56	1,348,904	£1.35

The weighted average share price at the date of exercise for the options exercised is £3.41 (2008: £3.31).

For the share options outstanding as at 31 December 2009, the weighted average remaining contractual life is 3.66 years (2008: 6.74 years).

The fair value of equity settled share options granted under the SDL Share Option Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2009	<i>2008</i>
Weighted average share price (pence)	303	279
Expected volatility	45%	35%
Expected option life	4 years	4 years
Expected dividends	0-1%	0%
Risk-free interest rate	2%	5%

The range of exercise prices for options outstanding at the end of the year was £0.01-£3.745 (2008: £0.01-£3.745).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

	Date of Grant	Exercise Period	2009 Number	2008 Number
£0.01 - £0.50	01/01/92-16/04/03	10 years after grant date	50,000	171,900
£0.51 - £1.00	15/10/99-12/12/03	10 years after grant date	299,747	357,247
£1.01 - £1.50	02/04/04-04/04/05	10 years after grant date	485,116	667,155
£1.51 - £2.00	07/04/01	10 years after grant date	3,000	3,750
£2.01 - £2.50	22/03/06-03/10/06	10 years after grant date	119,570	202,270
£2.51 - £3.00	28/02/08-2/3/09	10 years after grant date	821,390	770,700
£3.01 - £3.50	12/05/00-1/6/00	10 years after grant date	12,250	16,000
£3.51 - £4.00	1/06/01-23/5/07	10 years after grant date	210,967	428,867
Total			2,002,040	2,617,889

SDL Long Term Incentive Plan

The fair value of equity-settled shares granted under the SDL Long Term Incentive Plan is estimated as at the date of grant using a Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2009.

	2009	<i>2008</i>
Expected volatility	45%	35-45%
Expected life	3 years	3 years
Expected dividends	0-1%	0%
Risk-free interest rate	2%	5%

	2009 No.	2009 WAEP	<i>2008</i> <i>No.</i>	<i>2008</i> <i>WAEP</i>
Outstanding at the beginning of the year	1,937,158	-	1,190,174	-
Granted during the year	1,187,115	-	817,803	-
Exercised during the year	(831,357)	-	-	-
Forfeited during the year	(59,078)	-	(70,819)	-
Outstanding at the end of the year	<u>2,233,838</u>	-	<u>1,937,158</u>	-
Exercisable at 31 December	Nil	-	Nil	-

All LTIPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (Cont.)

SDL Save As You Earn Scheme (SAYE)

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the SDL Save As You Earn Scheme during the year:

	2009	2009	2008	2008
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	169,810	-	-	-
Granted during the year	32,099	-	170,544	-
Exercised during the year	(3,243)	-	-	-
Forfeited during the year	(14,450)	-	(734)	-
Outstanding at the end of the year	184,216	-	169,810	-
Exercisable at 31 December	Nil	-	Nil	-

For the SAYE shares outstanding as at 31 December 2009, the weighted average remaining contractual life is 2.32 years (2008: 2.58 years).

The fair value of equity settled share options granted under the SDL SAYE Scheme is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2009	2008
Weighted average share price (pence)	261	256
Expected volatility	45%	35%
Expected option life	3.5 years	3.5 years
Expected dividends	0-1%	0%
Risk-free interest rate	2%	5%

9. ADDITIONAL CASH FLOW INFORMATION

Analysis of group net cash:

	1	Cash	Debt	Exchange	31
	January	flow	Acquired	differences	December
	2009		on		2009
	£'000	£'000	acquisition	£'000	£'000
			£'000		
Cash and cash equivalents	31,227	17,031	-	(2,098)	46,160
Loans	-	-	-	-	-
	31,227	17,031	-	(2,098)	46,160

	1	Cash	Debt	Exchange	31
	January	flow	Acquired on	differences	December
	2008		acquisition		2008
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	21,511	3,275	-	6,441	31,227
Loans	(6,055)	8,055	(1,932)	(68)	-
	15,456	11,330	(1,932)	6,373	31,227

10. POST STATEMENT OF FINANCIAL POSITION EVENTS

There are no known events occurring after the date of the Statement of Financial Position that require disclosure.