6 March 2012

STM Group Plc
("STM" or the "Group")
Unaudited Preliminary Results

STM Group Plc (AIM: STM), the cross border financial services provider, is pleased to announce its Preliminary results for the 12 months ended 31 December 2011.

Key Points:

	2011	**2010**
Revenue	£9.8m	£10.5m
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	£0.7m	£1.7m
Cash	£3.3m	£3.7m

- Zenith Trust Company Ltd in Jersey, acquired in 2010, performing strongly
- Global trends in specialist financial products encouraging
- Profitability impacted by £0.2m provision against work in progress and bad debts

Commenting on the results, Colin Porter, STM's Chief Executive Officer said:

"The performance of the Group in the second half of 2011 has significantly impacted on overall profitability for 2011, and this coupled with a prudent approach to increasing provisions, given the state of the general economy as well as the non-cash adjustments relating to IFRS accounting principles, has resulted in a disappointing result for the year.

"Management has already made protective changes in staffing levels in 2012 and continues to push to increase distribution for all its product areas. Management believes that this drive to increase distribution should lead to growth for life and pensions products in 2012, thus complementing a solid and stable performance in its CTS businesses."

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Notes to editors:

STM is an international financial services group which is listed on the AIM Market of the London Stock Exchange and made its first acquisition in 2007. The Group specialises in estate and succession planning and wealth structuring for high net worth individuals and their families. STM's clients include entrepreneurs, celebrities, sports stars and affluent retirees.

STM's strategy is to grow organically and by acquisition, in particular looking for businesses and jurisdictions which provide a complementary offering to the Group. Today, STM has operations in Gibraltar, Spain, Jersey, Switzerland and Malta. The Group is also looking to expand through the development of additional products and services that its ever more sophisticated clients demand.

In order to achieve this, STM has, for example, incorporated a Gibraltar Life Insurance Company, STM Life plc, which provides life insurance bonds – wrappers in which a variety of investments, including investment funds, can be held. STM has developed a specialist international pensions division which specialises in QROPS, QNUPS and EFRBS. The growth in Jersey, through the acquisition of Zenith, has coincided with the introduction of the Jersey Foundation legislation which has resulted in a growing number of enquiries and resultant business.

Further information on STM Group can be found at www.stmgroupplc.com

Chairman's statement

It is disappointing that in my first year as Chairman, the Group has experienced such a reduction in profitability compared with 2010. Issues in the Eurozone have been a major contributor to the fall in productivity, particularly in the later part of 2011.

I am pleased to report that our Jersey business, acquired in 2010, remains robust and fully aligned with the Board's expectations.

However, our Gibraltar Corporate and Trustee Services business (CTS) has seen a significant increase in provisions against collectibles. These charges have arisen as a result of a combination of factors all of which have been addressed and therefore should not be repeated in coming years.

In addition, the significant non-cash amortisation cost of the Group's investments in its subsidiaries under IAS 38 has further masked the underlying profitability of the Group.

Historically STM Group plc has focused on bespoke solutions primarily in the CTS business but the Board recognises that market dynamics have changed dramatically over recent times. To that end the Board has implemented a number of significant changes to its business model. The Group's life and pensions businesses have developed a number of market leading products which are now beginning to gain the traction required to meet revenue and in turn profit expectations.

The Group has placed its strategic emphasis on distribution which is beginning to bear fruit, although the rate at which we see significant increases in revenue and therefore profits remains hard to predict albeit that initial indications are good.

On behalf of the Board I would like to thank my predecessor Bernard Gallagher and former non executive director Matt Wood for all their efforts over the years. STM Group plc is a people business and its strength comes from the quality, dedication and professionalism of its management team and staff to whom I offer my sincere thanks on behalf of the Board.

Whilst the outlook for 2012 remains challenging, with a tidier balance sheet together with a significant, already implemented reduction in overhead, the business is well positioned to improve upon the 2011 results.

I look forward to updating the market during 2012 on the progress made in building our distribution channels, increasing revenues and the associated increase in profitability.

Julian Telling
Chairman

Chief Executive's statement

STM GROUP PLC

2011 has been a difficult year for STM. Expectations for 2011 were that we would continue to build on the success of 2010 in pursuit of our strategy of creating a product and distribution driven business to complement our traditional professional fees based operation. That was the case for the first half of 2011, however the second half has seen a deterioration of profitability in certain areas and our pensions and life businesses are yet to reach critical mass. In addition, we have taken steps to strengthen our provisions against potentially unrecoverable debtors and work-in-progress as a result of concerns over the economic climate, meaning that STM has turned in a disappointing result for the year.

The year has seen revenues of £9.8 million, which is slightly down on the 2010 figure of £10.5 million, however EBITDA before adjustments to carrying value of investments has fallen from £1.7 million in 2010 to £0.7 million in 2011.

It is pleasing to note that the 2010 acquisition of Zenith Trust Company Limited ("Zenith") has performed in line with expectations and has been a solid and predictable contributor to profitability. Additionally, we are seeing encouraging trends in the global product sales and distribution market which support our view that the diversification of the STM business will ultimately be very rewarding.

STM's business model – a changing environment

Currently, the Group's income continues to be mainly derived from fixed and time-based administration fees in relation to the administration services for trusts and companies under management.

Management believes that the significant future growth area for the Group is in its pensions and life assurance ("life wrappers") business, and a key part to this development will be increasing its distribution networks both within the EU and the rest of the world. These product lines are in themselves a differentiating factor as most Corporate and Trustee Service Providers ("CTS") businesses do not have any similar product offerings.

Both STM's pension and life wrapper products are licensed from within EU jurisdictions and this will become a significant benefit in gaining the credibility required to grow these businesses through established intermediary networks.

Operational Overview

Core CTS division

CTS income currently accounts for 75 % of the Group's revenue amounting to £7.5 million in 2011 (2010: £7.6 million) and is split evenly between Jersey and Gibraltar.

STM Jersey's revenue amounted to £3.7 million (2010: £3.3 million) and is typically derived from non-domiciled individuals investing into the UK market. This revenue stream has held up well during the year and performed in line with management's expectations. The Board is confident that the Jersey operation, headed by a strong management team, will continue to perform as predicted going into 2012.

Gibraltar's CTS revenue stream has seen a decline in income for 2011 down to £3.8 million, from £4.3 million in 2010. This company's customer base is significantly more focussed on the UK expatriate that has moved or invested into the European marketplace, and management has seen a significant downturn in transactional business as a result of the Eurozone crisis. The financial crisis has also resulted in a number of customers challenging the need for their structures given the reduced profitability of their portfolios and business operations. This has had a double impact on the Gibraltar CTS business with both a reduction of chargeable time and a number of clients closing their structures in the second half of 2011.

As a result of the changes in some of our client's circumstances, management has taken a more conservative approach to the Group's recognition of work-in-progress and decided to significantly increase the provision against bad debts, resulting in a further reduction of £0.2 million in profitability. Management does not expect these charges to be repeated in future years. Additionally, management has taken, and is continuing to take, measures to reduce costs in this area, so as to restore a healthier profit margin in the business.

It remains management's intention over time to reduce reliance on the UK market for generating new clients for its CTS business.

Since its incorporation in 2009, despite various initiatives by management, STM Swiss has struggled to attract new business and has therefore suffered from lack of critical mass. The decision was taken in the latter part of 2011 to retrench STM Swiss to an out-sourced office in Zurich. This will save the Group some £0.4 million in 2012.

STM Pensions

The Board has previously noted the difficulty in forecasting the revenue streams for this business. Frustratingly, the anticipated increase in revenue is yet to be seen however the business has the hallmarks of being a substantial revenue and profit contributor to the Group going forward.

The cross border and pension's transfer market is in its infancy, with STM being seen as a market leader and innovator in this area. This, coupled with the fact that Malta, in which STM has a presence and a number of HMRC approved pension schemes, is increasingly becoming the jurisdiction of choice for the exporting of a UK, or indeed EU, pension scheme, has resulted in STM starting to build business relationships with some very significant world-wide distribution networks.

STM's pension division has yet to benefit, in revenue terms, from this business development, with the division contributing only £0.6 million of revenue for 2011 across Malta and Gibraltar. However, given the scalability of the traditional Qualifying Recognised Overseas pension Scheme (QROPS) product, and the recent launch of some new pensions products in Malta and Gibraltar, it is anticipated that 2012 will be the year that STM's pension division changes the revenue mix of the STM Group.

STM Life

Generation of linked long term policies (Life bonds) from the UK market remains slow, and further initiatives to strengthen IFA distribution have been undertaken in the latter part of 2011 and into 2012. In addition, STM Life recently started offering the UK market an alternative pension product aimed at the high net worth individual, which, it is believed, will derive an alternative revenue stream for STM Life from the UK market.

On the positive side, STM Life is now receiving regular business from Sweden and Norway, and is dealing with a number of enquiries from other EU member states. Whilst it is very early days, it does demonstrate the pan-European nature of STM Life's products.

Other trading divisions and new initiatives
Trading in the other divisions, being insurance management, advisory and the Spanish office remain broadly in line with management's expectations, and contributed circa £1.6 million during 2011 (2010: £1.5 million). Management is confident that these divisions will make a comparable contribution to next year's performance.

Financial position
The second half performance in 2011, coupled with the increase in the provisions has had an unprecedented detrimental impact on the 2011 underlying profit.

For the year to 31 December 2011, the Group recorded turnover of £9.8 million (2010: £10.5 million) and an EBITDA before adjustments to carrying value of investments of £0.7 million (2010: £1.7 million).

As noted above, the Gibraltar CTS business saw a reduction of some £0.5 million of revenue, and administrative expense costs have increased by £0.2 million due to management's decision to increase one-off provisions against debtors and work-in-progress. These are the primary differentiators in the overall Group's EBITDA result between the two years.

The depreciation and amortisation charge, a non cash expense to the income statement, has increased from £0.2 million in 2010 to £0.8 million for 2011. The increase relates to the adoption of IAS 38 which requires the identification and valuation of intangible assets as part of an acquisition to be written off over their deemed useful economic life, rather than performing an impairment review. Such amortisation costs have resulted in an additional charge of £0.5 million. This non-cash charge will continue to occur on acquisitions post 1 January 2010 for the remainder of their deemed economic life.

Interest and financing costs have increased to £0.4 million (2010: £0.2 million) as a result of the full year costs of the convertible loan note.

STM's taxation charge for the year was on budget at £0.1 million (2010: £0.2 million).

In line with all CTS businesses, the Group had accrued income, in the form of work performed for clients but not yet billed at the balance sheet date of £3.0 million (2010: £3.1 million). This also provides some immediate visibility of billable fees in the early part of 2012.

2011 has seen a number of initiatives in relation to reducing the Group's debtor days and overall trade debt; these initiatives will continue during 2012. Trade receivables as at 31 December 2011 amounted to £3.4 million, down from £4.0 million as at 31 December 2010. Deferred income, representing fees billed in advance, yet to be credited to the statement of total comprehensive income were more or less comparable year on year at £0.7 million (2010: £0.9 million) reflecting the loss of a small number of clients during the course of the year. STM Jersey's fixed fees are billed annually in advance in January which will result in a significant cash influx during early 2012.

The Group ended the year with cash of £3.3 million (2010: £3.7 million), having paid out further consideration on acquisitions amounting to £0.7 million and bank loan repayments of £0.6 million. In addition, dividends relating to the final 2010 declaration of £0.18 million were paid during 2011.

Group financing
At 31 December 2011, the Group had bank borrowings of £1.97 million (2010: £2.6 million), being loans from RBS International Limited ("RBSI") to provide part of the solvency capital required for STM Life, as well as funding the first payment of the Zenith acquisition. The term of the original loan for STM Life is for five years from March 2008. Two further loans were taken out in 2010, one for £0.4 million and one for £1.5 million; both are repayable over a three year term but being amortised over five years.

In addition to bank financing, there remains Convertible Loan Notes ("CLN") to the value of £3.5 million. 50% of the CLN may be converted into new ordinary shares in STM at the holders' discretion at a price of 33 pence per share in March 2012. The remainder of the CLN is repayable in March 2014.

Board changes during the year
During the year, Julian Telling was appointed Chairman of the Board of STM, replacing Bernard Gallagher who retired after 4 years. Julian's connections in the Financial Services industry are starting to bring benefits to the Group, and our expectations are that this will continue to build our distribution both in the UK and elsewhere around the world. In addition, during 2011, Matthew Wood resigned as a non-executive director to follow other business opportunities.

Dividends
In recognition of the difficult 2011 year for the Group, the Board recommends that no final dividend be paid for the year ended 31 December 2011 (2010: 0.4 pence per share). It is the Board's intention to review the policy of dividend payments during 2012 and, dependant on the Group's performance, will seek to return to a progressive and formulated dividend policy as soon as it is prudent to do so.

Executive long term incentive plan
The Board has agreed a long term incentive plan for 2012 and 2013 with the executive directors based on certain targets being achieved in the next two financial years. Target hurdles relate to a fully diluted earnings per share target of 4 pence per share for 2012, and 8 pence for 2013, and an average three month share price target of between 40 pence to 80 pence. The maximum share allocation to the two executive directors is 1.3 million shares per director.

Current trading and outlook
Measures have been taken during the latter part of 2011 to reduce headcount, particularly in Gibraltar which has seen a reduced level of chargeable time in its CTS business, which will in turn increase profitability in this business unit. Whilst the Eurozone crisis and potential double-dip recession remain such a concern for our client base, we can expect the level of transactional activities to be suppressed, and this has been factored into 2012 management expectations for the CTS business. In this regard, 2012 CTS activity has started in a similar manner to the close of 2011 but with fewer costs associated with servicing this business. The Group believes that the 2011 increase in provisions across debtors and work-in-progress was a one-off and will not be repeated in 2012.

On the positive side, both our pensions division and STM Life have started the year reasonably well with uplift in business compared to the latter part of 2011. Pensions, particularly, with the Qualifying Recognised Overseas Pensions Scheme products and its slowly increasing distribution network, has seen more applications in the last two months than in the whole of 2011. In addition, the scaling down of STM Swiss will be complete by March 2012, further saving Group resources and management time. The successful cash generation in the period and the subsequent

reduction in debt is a credit to the management team and a trend which we expect to continue. This achievement is particularly notable given the broader economic environment.

Enhanced profitability in 2012 will only come about as a result of STM continuing to grow its distribution network across the various intermediary introducers. This is a key area of focus for management, with the additional financial resources intended to accelerate distribution sign-up.

The Board is aware that 2012 will be a very important year in delivering a new look STM, in which both STM Life and the STM pensions divisions start to fulfill the revenue potential that management know their product range is capable of. We look forward to updating the market on the Group's progress.

Colin Porter
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

	Notes	**Unaudited Year ended 31 December 2011 £000**	Audited Year ended 31 December 2010 £000
Revenue	3	**9,829**	10,454
Administrative expenses	4	**(9,101)**	(8,778)
Profit before other items		**728**	1,676
Other items			
Finance Costs		**(361)**	(211)
Depreciation and amortisation	5	**(765)**	(157)
Adjustments to carrying value of investments		**88**	131
(Loss)/profit before taxation		**(310)**	1,439
Taxation		**10**	(192)
(Loss)/profit after taxation		**(300)**	1,247
Dividends	8	**(172)**	(257)
(Loss)/profit for the year		**(472)**	990
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(29)**	57
Total comprehensive loss for the year		**(501)**	1,047
Earnings per share basic (pence)	9	**(0.70)**	2.90
Earnings per share diluted (pence)	9	**(0.62)**	2.59

There have been no discontinued activities in the year. Accordingly, the above results relate solely to continuing activities.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	**Unaudited 31 December 2011 £000**	Audited 31 December 2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,480**	1,460
Intangible assets	6	**21,109**	21,812
Other investments		**64**	54
Total non-current assets		**22,653**	23,326
Current assets			
Accrued income		**3,018**	3,052
Trade and other receivables		**4,924**	5,688
Cash and cash equivalents	7	**3,307**	3,696
Total current assets		**11,249**	12,436
Total assets		**33,902**	35,762
EQUITY			
Called up share capital	8	**43**	43
Share premium account	8	**19,051**	19,043
Reserves		**4,942**	5,471
Total equity attributable to equity shareholders		**24,036**	24,557
LIABILITIES			
Current liabilities			
Liabilities for current tax		**338**	494
Trade and other payables		**5,273**	5,559
Total current liabilities		**5,611**	6,053
Non current liabilities			
Other payables		**4,255**	5,152
Total non-current liabilities		**4,255**	5,152
Total liabilities and equity		**33,902**	35,762

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

	Unaudited Year ended 31 December 2011 £000	Audited Year ended 31 December 2010 £000
Reconciliation of operating profit to net cash flow from operating activities		
(Loss)/profit for the year before tax	**(310)**	1,439
Adjustments for:		
Loss on sale of assets	**—**	3
Depreciation	**765**	157
Shares issued for services performed	**8**	40
Adjustments to investments	**(89)**	(439)
Taxation paid	**(148)**	(19)
Decrease/(increase) in trade and other receivables	**764**	(103)
Decrease/(increase) in accrued income	**37**	(375)
Increase/(decrease) in trade and other payables	**356**	(590)
Net cash from operating activities	**1,383**	113
Investing activities		
Acquisition of property, plant and equipment	**(237)**	(282)
Acquisition of investments – cash consideration	**(659)**	(3,759)
Cash acquired as part of acquisitions	**—**	587
Net cash used in investing activities	**(896)**	(3,454)
Cash flows from financing activities		
Bank loan (repayments) / advance	**(647)**	1,326
Cash consideration from convertible bond issued	**—**	2,200
Dividend paid	**(172)**	(257)
Net cash from financing activities	**(819)**	3,269
Decrease in cash and cash equivalents	**(332)**	(72)
Reconciliation of net cash flow to movement in net funds		
Analysis of cash and cash equivalents during the year		
Decrease in cash and cash equivalents	**(332)**	(72)
Translation of foreign operations	**(57)**	–
Balance at start of year	**3,696**	3,768
Balance at end of year	**3,307**	3,696

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

FOR THE YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

	Share Capital £000	Share premium £000	Retained earnings £000	Treasury Shares £000	Translation reserve £000	Total £000
Balance at 1 January 2010	43	19,011	4,620	(144)	(7)	23,523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Profit for the year	—	—	1,247	—	—	1,247
Other comprehensive income						
Foreign currency translation differences	—	—	57	—	—	57
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	32	—	—	—	32
Dividend paid	—	—	(257)	—	—	(257)
Exchange loss on equity	—	—	—	—	(45)	(45)
At 31 December 2010	**43**	**19,043**	**5,667**	**(144)**	**(52)**	**24,557**
Balance at 1 January 2011	43	19,043	5,667	(144)	(52)	24,557
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD						
Loss for the year	—	—	(472)	—	—	(472)
Other comprehensive income						
Foreign currency translation differences	—	—	(29)	—	—	(29)
Transactions with owners, recorded directly in equity						
Shares issued in the year	—	8	—	—	—	8
Dividend paid	—	—	—	—	—	—
Exchange loss on equity	—	—	—	—	(28)	(28)
At 31 December 2011	**43**	**19,051**	**5,166**	**(144)**	**(80)**	**24,036**

NOTES TO THE CONSOLIDATED RESULTS
FOR THE YEAR FROM 1 JANUARY 2011 TO 31 DECEMBER 2011

1. Reporting entity

STM Group Plc (the "Company") is a company incorporated and domiciled in the Isle of Man and was admitted to trading on the London Stock Exchange AIM Market on 28 March 2007. The address of the Company's registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA. The Group is primarily involved in financial services.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") and in accordance with Isle of Man company law.

3. Revenue

	31 December 2011 £000 (Unaudited)	31 December 2010 £000 Audited
Revenue from administration of assets	**9,829**	10,454
Total revenues	**9,829**	10,454

4. Administrative expenses

Included within administrative expenses are personnel costs as follows:

	31 December 2011 £000 (Unaudited)	31 December 2010 £000 Audited
Wages and salaries	**5,148**	4,281
Social insurance costs	**302**	338
Pension contributions	**85**	87
Equity settled share based payments	**8**	40
Total personnel expenses	**5,543**	4,746

Average number of employees

Group	**31 December 2011 Number**	31 December 2010 Number
Average number of people employed (including executive directors)	**129**	125

5. Depreciation and amortisation

	31 December 2011 £000 (Unaudited)	31 December 2010 £000 Audited
Depreciation of property, plant and equipment	**220**	157
Amortisation of client portfolio	**545**	–
Total	**765**	157

6. Intangible assets

	Goodwill £000	**Client Portfolio £000**	**Total £000**
Costs			
Balance as at 1 January 2010	16,886	—	**16,886**
Acquisitions through business combinations	4,926	—	**4,926**
Balance at 31 December 2010	21,812	—	**21,812**
Balance as at 1 January 2011	21,812	—	**21,812**
Reallocations	(4,927)	4,927	**—**
Adjustment to carrying value of investments	(158)	—	**(158)**
Balance at 31 December 2011	16,727	4,927	**21,654**
Amortisation and impairment			
Balance as at 1 January 2010	—	—	**—**
Charge for the year	—	—	**—**
Balance at 31 December 2010	—	—	**—**
Balance as at 1 January 2011	—	—	**—**
Charge for the year	—	545	**545**
Balance at 31 December 2011	—	545	**545**
Carrying amounts			
At 1 January 2010	16,886	—	**16,886**
At 31 December 2010	21,812	—	**21,812**
At 1 January 2011	21,812	—	**21,812**
At 31 December 2011	**16,727**	**4,382**	**21,109**

7. Cash and cash equivalents

Group	**31 December 2011 £000 (Unaudited)**	31 December 2010 £000 Audited
Bank balances	**3,307**	3,768
Cash and cash equivalents in the statement of cash flow	**3,307**	3,768

8. Capital and reserves

	31 December 2011 £000 (Unaudited)	31 December 2010 £000 Audited
Authorised		
100,000,000 (2010:- 100,000,000) ordinary shares of £0.001 each	**100**	100
Called up, issued and fully paid		
43,061,649 ordinary shares of £0.001 each (1 January 2011: 43,026,602 ordinary shares of £0.001 each)	**43**	43

Treasury shares

The treasury shares relate to those shares purchased by the STM Group EBT for allocation to executives under the terms of the Long Term Incentive Plan. The trustees held 323,555 (1 January 2010: 323,555) shares at 31 December 2011, amounting to £205,000 (1 January 2010: £205,000).

Share premium

During the year 35,047 (2010:- 133,981) shares were issued for a total share premium of £7,465 (2010:- £32,366). During 2011, transaction costs of £nil (2010:- £nil) have been deducted from the share premium account.

Translation

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Dividends

The following dividends were declared and paid by the Group:

For the year ended 31 December

	31 December 2011 £000 (Unaudited)	31 December 2010 £000 Audited
0.4 pence per qualifying ordinary share (2010: 0.6 pence)	**172**	257

9. Earnings per share

Earnings per share for the period from 1 January 2011 to 31 December 2011 is based on the loss after taxation of £300,000 (2010:- profit £1,247,000) divided by the weighted average number of £0.001 ordinary shares during the period of 43,060,977 basic (2010:- 42,976,168) and 48,288,250 dilutive (2010:- 44,203,441) in issue.
A reconciliation of the basic and diluted number of shares used in the period ended 31 December 2011 is:

Weighted average number of shares	43,060,977
Dilutive share incentive plan, options and contingent consideration shares	5,227,273
Diluted	48,288,250

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