

24 September 2009

STILO INTERNATIONAL PLC

UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2009

Stilo International plc ("Stilo" or the "Company"), the AIM quoted software and services company, today announces its unaudited Interim Results for the six months ended 30 June 2009.

Highlights

- **Revenues of £1.1m (2008: £1.3m)**
- **Loss before taxation of £180,000 (2008: profit £137,000)**
- **Cash of £518,000 as at 30 June 2009 (2008: £572,000)**
- **Release of Stilo Migrate, the world's first online, pay-as-you use content conversion service**
- **Continued investment in new product developments and associated marketing initiatives**

Barry Welck, Chairman, commenting on the Company's performance, stated:

"Following a record year for the company in 2008, the results for the period ended 30 June 2009 have been adversely affected by project delays and corporate budget cuts, reflecting the downturn in global trading conditions. We have responded to the situation by introducing various cost saving measures, whilst pushing forward with continued investments in new product developments and associated marketing initiatives.

The Board anticipated that current trading conditions will prevail for the remainder of 2009, but we are beginning to see signs of optimism returning from several of our customers as they initiate 2010 budgeting activities. The Company retains sufficient financial resources to support current levels of activity, and we seek to ensure that we are well positioned for growth as and when trading conditions improve."

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Chairman's Statement

Following a record year for the company in 2008, it is disappointing to report that our results for the period ended 30 June 2009 have been adversely affected by project delays and corporate budget cuts, reflecting the downturn in global trading conditions. However, we have responded quickly to the situation by introducing various cost saving measures, whilst pushing forward with continued investments in new product developments and associated marketing initiatives.

General Strategy

Stilo provides software and professional services to large organisations across a broad range of industry sectors, including Aerospace and Defence, Engineering, High Tech, Publishing and Government.

We operate in two distinct markets: the e-publishing market where we provide XML content conversion solutions, and the SAP systems market where we provide product lifecycle management solutions.

Demand for XML content conversion solutions is driven by the growing requirement for large organisations to aggregate content from disparate sources and publish complex information, technical and non-technical, to the web. Our customers publish aircraft and military equipment technical manuals, automotive repair data, product data sheets, online news and regulatory reports. They include Boeing, Airbus, AutoZone, Volvo, British Library, Wolters Kluwer, Japan Patent Office and the European Parliament.

Demand for product lifecycle management solutions is driven by a requirement for SAP R/3 customers to better manage and integrate their business processes and workflow, tracking product information from initial design through to manufacture, delivery and invoice. Our customers are predominantly Manufacturing and Engineering companies, and include AgustaWestland, BAe Systems, Waters and EADS.

Operations

As at 30th June 2009, the group employed 20 permanent employees, based in the UK and Canada. On an ongoing basis, extensive use is made of contractors for the delivery of professional services engagements.

The Content Conversion Solutions business is centred in Canada, with the professional services team serving particularly the requirements of North American customers.

The Solutions for SAP business is based in the UK, focussed primarily upon sales to UK and European customers.

Performance

Notwithstanding the disappointing trading results up to June 30 2009, the Company continues to enhance its reputation amongst key customers for the level of professional services delivered and the quality of its software products and solutions.

There was a loss before taxation of £180,000 (2008: Profit £137,000).

Total sales revenues for the period decreased by 15% to £1,106,000 (2008: £1,294,000). Operating costs increased by 6% to £1,116,000 (2008: £1,054,000). Included within operating costs are foreign exchange losses of £37,000 (2008: Gains £5,000)

A sales increase in the Solutions for SAP business was offset by a sales decrease in the Content Conversion Solutions business caused by budget cuts and project delays. Increases in operating costs were primarily due to foreign exchange differences and one-off central expenditures.

In response to the financial downturn, the Company has reduced its headcount, cut back on the use of contractors, reduced corporate overheads and initiated a four-day working week in Canada as from July 1 2009.

These measures have enabled the Company to continue its investment in Research and Development with expenditure related primarily to the ongoing development of OminMark, Stilo Migrate and a newly packaged 'Product Change Management Suite' for SAP R/3 users. Expenditure on Stilo Migrate has been capitalised as an intangible asset.

The Company had a cash balance of £518,000 as at 30 June 2009 (30 June 2008: £572,000).

Key Products & Solutions

OmniMark

OmniMark provides an application development and high performance run-time environment to support XML content conversion solutions. Users of OmniMark are able to reduce significantly the time and costs of developing and maintaining new content conversion applications, whilst ensuring high-performance levels of execution which is especially critical to major web applications. OmniMark has been deployed by customers around the world over a fifteen year period, and is a robust, well-proven technology.

Stilo Migrate

Stilo Migrate, the world's first on-demand content migration service, embodies Stilo's extensive content engineering expertise and advanced content conversion technology. Stilo Migrate V1 was released in February 2009. It has attracted significant levels of customer interest to date, with STMicroelectronics being an early user of the system. Accessible 24x7 from anywhere in the world, users are able to upload source documents over the internet and migrate content to target XML formats, on a pay-as-you-use basis. Migrate V2 is currently under development, and will dramatically extend the range of source documents and target formats that can be offered to customers as part of a tailored content conversion solution.

Product Change Management Suite for SAP R/3 users

Managing product changes, and their impact upon engineering, manufacturing and supply chain logistics can be a major problem for users of SAP R/3 systems. We have developed a modular suite of low-cost applications that help users address this particular issue, scheduled to be launched later in 2009.

Outlook

The Board anticipates that current subdued market conditions will prevail for the remainder of 2009, but we are beginning to see signs of optimism returning from several of our customers as they initiate 2010 budgeting activities. The Company retains sufficient financial resources to support current levels of activity, and through the continuing development of innovative solutions, we seek to ensure that we are well positioned for growth as and when trading conditions improve.

Barry Welck
Chairman
24 September 2009

**Unaudited Group Income Statement
for the six months ended 30 June 2009**

| | Six months to 30 June 2009 Unaudited £'000 | Six months to 30 June 2008 Unaudited £'000 | Year to 31 December 2008 Audited £'000 |
|---|--|--|--|
| Continuing Operations | | | |
| Revenue | 1,106 | 1,294 | 3,086 |
| Cost of sales | (135) | (89) | (481) |
| Gross profit | <u>971</u> | <u>1,205</u> | <u>2,605</u> |
| Administrative expenses | (1,116) | (1,054) | (2,244) |
| Write down of intangible assets | (35) | (15) | (30) |
| Operating (loss) / profit | <u>(180)</u> | <u>136</u> | <u>331</u> |
| Finance income | - | 1 | 2 |
| (Loss) / profit before tax | <u>(180)</u> | <u>137</u> | <u>333</u> |
| Income tax | (58) | - | 55 |
| (Loss) / profit for the period from continuing operations | <u>(238)</u> | <u>137</u> | <u>388</u> |
| (Loss) / earnings per share from continuing operations | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> |
| - basic (note 3) | (0.22p) | 0.13p | 0.36p |
| - diluted (note 3) | (0.22p) | 0.13p | 0.34p |

All profits / (losses) are attributable to equity holders of the parent.

**Unaudited Group Statement of Comprehensive Income
for the six months ended 30 June 2009**

| | Six months to 30 June 2009 Unaudited £'000 | Six months to 30 June 2008 Unaudited £'000 | Year to 31 December 2008 Audited £'000 |
|---|--|--|--|
| (Loss) / profit for the period | (238) | 137 | 388 |
| Foreign currency translation differences | (25) | 40 | 64 |
| Other comprehensive income relating to the period | (25) | 40 | 64 |
| Total comprehensive income relating to the period | (263) | 177 | 452 |

All comprehensive income is attributable to equity holders of the parent.

**Unaudited Group Balance Sheet
as at 30 June 2009**

| | As at 30 June 2009 Unaudited £'000 | As at 30 June 2008 Unaudited £'000 | As at 31 December 2008 Audited £'000 |
|---|--|--|--|
| Non-current assets | | | |
| Goodwill | 1,676 | 1,671 | 1,683 |
| Other Intangible assets | 275 | 254 | 287 |
| Plant and equipment | 23 | 29 | 28 |
| Deferred tax assets | 73 | 100 | 131 |
| | <u>2,047</u> | <u>2,054</u> | <u>2,129</u> |
| Current assets | | | |
| Trade and other receivables | 569 | 537 | 958 |
| Income tax asset | 26 | 55 | 51 |
| Cash and cash equivalents | 518 | 572 | 546 |
| | <u>1,113</u> | <u>1,164</u> | <u>1,555</u> |
| Total Assets | <u><u>3,160</u></u> | <u><u>3,218</u></u> | <u><u>3,684</u></u> |
| Current liabilities: | | | |
| Trade and other payables | 604 | 683 | 860 |
| Non-current liabilities: | | | |
| Other payables | 18 | 41 | 33 |
| Total liabilities | <u>622</u> | <u>724</u> | <u>893</u> |
| Equity attributable to equity holders of the parent | | | |
| Called up share capital | 5,618 | 5,618 | 5,568 |
| Share premium account | 5,524 | 5,524 | 5,524 |
| Merger reserve | 658 | 658 | 658 |
| Retained earnings | (9,262) | (9,306) | (9,009) |
| Total equity | <u>2,538</u> | <u>2,494</u> | <u>2,791</u> |
| Total Equity and Liabilities | <u><u>3,160</u></u> | <u><u>3,218</u></u> | <u><u>3,684</u></u> |

**Unaudited Group Statement of Changes in Equity
for the six months ended 30 June 2009**

| | Called up share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Retained Earnings £'000 | Total £'000 |
|---|-------------------------------------|--------------------------------------|----------------------------|-------------------------------|----------------|
| At 1 January 2008 | 5,568 | 5,485 | 658 | (9,483) | 2,228 |
| Exchange adjustments | - | - | - | 40 | 40 |
| Proceeds of shares issued | 50 | 40 | - | - | 90 |
| Costs of share issue | - | (1) | - | - | (1) |
| Net gains / (losses) recognised directly in equity | 50 | 39 | - | 40 | 129 |
| Profit for the period | - | - | - | 137 | 137 |
| At 30 June 2008 | 5,618 | 5,524 | 658 | (9,306) | 2,494 |
| Exchange adjustments | - | - | - | 24 | 24 |
| Share based transactions | - | - | - | 22 | 22 |
| Net gains / (losses) recognised directly in equity | - | - | - | 46 | 46 |
| Profit for the period | - | - | - | 251 | 251 |
| At 31 December 2008 | 5,618 | 5,524 | 658 | (9,009) | 2,791 |
| Exchange adjustments | - | - | - | (25) | (25) |
| Share based transactions | - | - | - | 10 | 10 |
| Net gains / (losses) recognised directly in equity | - | - | - | (15) | (15) |
| Loss for the period | - | - | - | (238) | (238) |
| At 30 June 2009 | 5,618 | 5,524 | 658 | (9,262) | 2,538 |

**Unaudited Group Cash Flow Statement
for the six months ended 30 June 2009**

| | Six months to 30 June 2009 Unaudited £'000 | Six months to 30 June 2008 Unaudited £'000 | Year to 31 December 2008 Audited £'000 |
|--|--|--|--|
| Cash flows from operating activities | | | |
| (Loss) / profit before taxation | (180) | 137 | 333 |
| Adjustment for depreciation and amortisation | 45 | 25 | 50 |
| Adjustment for investment income | - | (1) | (2) |
| Adjustment for foreign exchange differences | (57) | 26 | 45 |
| Adjustment for share-based payments | 11 | - | 22 |
| | <u>(181)</u> | <u>187</u> | <u>448</u> |
| Operating cash flows before movements in working capital | | | |
| Decrease/(increase) in trade and other receivables | 389 | 188 | (233) |
| (Decrease)/increase in trade and other payables | (256) | (82) | 95 |
| | <u>(48)</u> | <u>293</u> | <u>310</u> |
| Cash (used in) / generated from operations | | | |
| Tax credit received | 23 | - | 26 |
| | <u>(25)</u> | <u>293</u> | <u>336</u> |
| Net cash (used in) / from operating activities | | | |
| Cash flows from investing activities | | | |
| Finance income | - | 1 | 2 |
| Purchase of plant and equipment | (6) | (2) | (24) |
| Capitalised development costs | (23) | (45) | (93) |
| | <u>(29)</u> | <u>(46)</u> | <u>(115)</u> |
| Net cash used in investing activities | | | |
| Financing activities | | | |
| Issue of ordinary share capital | - | 90 | 90 |
| Share Issue Costs | - | (1) | (1) |
| | <u>-</u> | <u>89</u> | <u>89</u> |
| Net cash from financing activities | | | |
| Net (decrease) / increase in cash and cash equivalents | (54) | 336 | 310 |
| Cash and cash equivalents at beginning of period | 572 | 236 | 236 |
| | <u>518</u> | <u>572</u> | <u>546</u> |
| Cash and cash equivalents at end of period | | | |

Notes to the Interim Results for the six months ended 30 June 2009

1. The interim results (approved by the Board of Directors on 23 September 2009) are neither audited or reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the full preceding year is extracted from the statutory accounts for the financial year ended 31 December 2008. Those accounts, upon which the auditors issued an unqualified opinion, and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies. As permitted, this interim report has been prepared in accordance with UK AIM listing rules and not in accordance with IAS 34 'Interim Financial Reporting', therefore it is not fully in compliance with IFRS.
2. Stilo International plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom and its ordinary shares are traded on the AIM market of the London Stock Exchange plc. Stilo provides specialist software and professional services.

The consolidated interim results have been prepared in accordance with IFRS including standards and interpretations issued by the International Accounting Standards Board, as adopted by the European Union. They have been prepared using the historical cost convention.

The preparation of the interim results requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes. The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The interim results of the group for the period ended 30 June 2009 have been prepared in accordance with the accounting policies set out in the annual report and accounts for the year ended 31 December 2008, subject to the adoption of IAS 1 revised.

3. The basic earnings per share is calculated on the weighted average number of shares in issue during the period. The fully diluted earnings per share takes account of outstanding options. The weighted average number of ordinary shares in issue for the six months to 30 June 2009 was 109,728,470 shares (30 June 2008: 105,006,248 and 31 December 2008: 107,228,470 shares). There is no dilution for the six months to 30 June 2009 due to losses for the period.
4. Copies of this report will be sent to shareholders shortly and will be available to the public from the company's registered office, Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, SN5 6QR. The report will also be available to download from the investor relations section of the company's website **www.stilo.com**.