18 March 2010

STILO INTERNATIONAL PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR TWELVE MONTHS ENDED 31 DECEMBER 2009

Stilo International plc ("Stilo", the "Group" or the "Company") (LSE:STL), the AIM quoted software and services company, today announces its results for the twelve month period ended 31 December 2009.

Highlights

- **Sales revenues decreased by 33% to £2,071,000 (2008: £3,086,000)**
- **Increase in software maintenance revenues to £904,000 (2008: £864,000)**
- **Loss before taxation of £379,000 (2008: profit of £333,000)**
- **Exceptional restructuring costs of £88,000 (2008: £nil)**
- **Exchange rate losses of £84,000 (2008: exchange gains of £76,000)**
- **Increased investment in product development to £385,000 (2008: £311,000)**
- **Cash position of £436,000 as at 31 December 2009 (2008: £546,000)**

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

“Following eight successive years of steady improvement, 2009 proved to be a challenging year for Stilo. The general economic outlook remains uncertain, and accordingly the Board anticipates modest sales growth in 2010.

However, we have reduced our ongoing cost base significantly while continuing to invest in the development of new products and are now in a position to focus upon improving profitability through the sales of recently announced software and online services.

Early market indications provide us with guarded optimism that business opportunities are beginning to pick up again, and given our leading technology and specialist expertise, we are well placed to address them.”

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Chairman's Statement

I am pleased to announce Stilo's results for the twelve months ended 31 December 2009 and to report upon the progress made by the Group during the year.

Following eight successive years of steady improvement, 2009 proved to be a challenging year for Stilo. Faced with the global economic downturn, customers generally cut back on their investments in new projects, resulting in a significant downturn in sales revenues and profitability for our Company.

However, during the course of the year we undertook appropriate restructuring and cost saving measures, continued to invest in new product development and managed our cash situation accordingly. Our financial performance improved significantly in the second half of the year as a consequence of the cost saving measures that were implemented.

I am very grateful for the constructive co-operation of our employees during this period, and am pleased to report that we emerge from 2009 better equipped to address the significant business opportunities that lie ahead of us.

Strategy, Products and Services

We operate two distinct and complementary business divisions, providing software and professional services to customers across a broad range of industry sectors, including Aerospace and Defence, Engineering, Manufacturing, High Tech, Publishing and Government. Based out of offices in the UK and Canada, we serve customers in North America, Europe, Japan and Australasia.

XML Content Processing

Our XML Content Processing division is focussed on the provision of content conversion technologies and related services, enabling organisations to aggregate content from disparate sources and publish complex information to the web and other media. 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.

We have pioneered content conversion solutions for many years, through ongoing investments in OmniMark, our high-performance content processing platform. OmniMark has been deployed by customers around the world and is a robust, well-proven technology that underpins many mission-critical publishing applications.

Utilising OmniMark, and building upon our extensive experience solving some of the world's most demanding content conversion problems, we have recently undertaken the development of Stilo Migrate, the world's first on-demand content migration service. Accessible globally, 24/7, users are able to upload source documents over the internet and convert content to target XML formats, on a pay-as-you-use basis. Early users of the system are publishers of technical documentation and include STMicroelectronics and Numonyx, leading semiconductor manufacturers. Migrate version 2 is due to be released in 2010, and will address a broader market through its ability to handle a wider range of target XML formats, including EPUB – one of the emergent standards for the publishing of e-books.

Through the combination of OmniMark, Migrate and our expert professional services, we are able to offer our customers world-leading content conversion solutions to support their digital publishing applications. Migrate, in particular, presents us with the opportunity of achieving highly-scalable business growth and improved profitability in future years.

Solutions for SAP

In the UK we operate a team of highly experienced PLM (Product Lifecycle Management) consultants, specialising in the provision of services and software that address particular problems faced by manufacturing and engineering companies using SAP enterprise resource planning systems. We help them better manage and integrate their business processes and workflow, tracking product information from initial design through to manufacture, delivery and invoice. Our customers include AgustaWestland, BAe Insyte, Waters Corporation and EADS.

In the fourth quarter of 2009, we announced the release of the Stilo PCM (Product Change Management) suite of software. The initial market response has been very positive and in 2010 we will be seeking to market the software into Germany and the USA through the appointment of value added resellers. It is our intention to obtain SAP certification of the PCM software during 2010, and this will help significantly to enhance our global sales efforts through participation in SAP Software Partner marketing programmes.

The international market opportunity for the sale of the Stilo PCM suite is very significant, with over 4000 manufacturing and engineering companies using SAP in the USA and Germany. Successful exploitation of this opportunity will directly impact Stilo's future profitability.

Across both business divisions, it is the Board's primary focus to increase profitability through the sales of software and online services, with professional services playing a necessary supporting role in the achievement of this key objective.

Operations

As at 31 December 2009, the Group employed 21 employees, with 11 located in North America and 10 in Europe. Additionally, extensive use is made of contractors in our professional services and product development activities.

The XML content processing division has development and professional services staff centred in Canada, where the professional services team addresses particularly the requirements of North American customers. Sales activities are handled out of both the UK and Canadian offices.

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

Both business divisions are served by central marketing, finance and corporate functions based in the UK.

Results

In 2009 the results show an operating loss of £380,000 (2008: operating profit £331,000). There was a loss from continuing operations after taxation of £457,000 (2008: profit of £388,000).

The operating loss included exchange rate losses of £84,000 (2008: exchange gains £76,000) and exceptional items of £88,000. The exceptional items relate to staff layoffs which were a necessary part of our 2009 cost reduction measures.

Total sales revenues for the period decreased by 33% to £2,071,000 (2008: £3,086,000). Administrative expenses decreased by 9% in the year to £2,042,000 (2008: £2,244,000).

The reduction in sales revenues was entirely due to a reduction in professional services undertakings across both business divisions, where we experienced projects being postponed or cancelled against a backdrop of general budget cuts. Software sales and associated maintenance revenues remained steady during the period.

We undertook various cost saving measures to reduce overheads, including many staff agreeing to work a four day week in the latter half of the year, and this measure is set to continue until such a time as sales recover.

The Group had a cash balance of £436,000 as at 31 December 2009 (31 December 2008: £546,000). Notwithstanding the significant reduction in sales revenues, through careful cost management and the reduced use of contract labour, we were able to maintain our cash reserves at a satisfactory level.

The accompanying results for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and now required for AIM companies.

Development

We continue to regard the development of intellectual property as essential for improving the long-term profitability of the Company and generate lasting shareholder value.

In the XML Content Processing division, all product developments, including OmniMark, Migrate, and JETView, were in 2009 consolidated in Canada under a newly appointed development manager, providing a much more cost-effective and productive development capability.

Development of the Stilo Product Change Management Suite is undertaken in the UK by our SAP consulting team, driven primarily by new professional service engagements with our customers. .

Research and development expenditure for the year, excluding costs capitalised, was £385,000 (2008: £311,000).

Outlook

The general economic outlook remains uncertain, and accordingly the Board anticipates modest sales growth in 2010. However, we have reduced our ongoing cost base significantly and are in a position to focus upon improving profitability through the sales of recently announced software and online services.

Early market indications provide us with guarded optimism that business opportunities are beginning to pick up again, and given our leading technology and specialist expertise, we are well placed to address them.

Barry Welck
Chairman
17 March 2010

Group Income Statement
Year Ended 31 December 2009

	2009 £'000	2008 £'000
Revenue – continuing operations	2,071	3,086
Cost of sales	(251)	(481)
Gross profit	1,820	2,605
Administrative expenses	(2,042)	(2,244)
Exceptional expenses	(88)	-
Amortisation of intangible assets	(70)	(30)
Operating (loss) / profit	(380)	331
Finance Income	1	2
(Loss) / profit before tax	(379)	333
Income tax	(78)	55
(Loss) / profit for the year attributable to the equity shareholders of the parent company	(457)	388
(Loss) / earnings per share – basic	(0.42p)	0.36p
(Loss) / earnings per share – diluted	(0.42p)	0.34p

Group Statement of Comprehensive Income
Year Ended 31 December 2009

	2009 £'000	2008 £'000
(Loss) / profit for the year	(457)	388
Foreign currency translation differences	10	64
Other comprehensive income for the year, net of tax	10	64
Total comprehensive income relating to the year	(447)	452

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

Group Statement of Financial Position
as at 31 December 2009

	2009 £'000	2008 £'000
Non-current assets		
Goodwill	1,683	1,683
Other intangible assets	241	287
Plant and equipment	21	28
Deferred tax asset	-	131
	1,945	2,129
Current assets		
Trade and other receivables	480	958
Income tax asset	54	51
Cash and cash equivalents	436	546
	970	1,555
Total Assets	2,915	3,684
Current Liabilities		
Trade and other payables	533	860
Non-current liabilities		
Other payables	6	33
Total liabilities	539	893
Called up share capital	5,618	5,618
Share premium account	5,524	5,524
Merger reserve	658	658
Retained earnings	(9,424)	(9,009)
Total equity attributable to equity holders of the parent	2,376	2,791
Total equity and liabilities	2,915	3,684

Group Statement of Changes in Equity
for the year ended 31 December 2009

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2008	5,568	5,485	658	(9,483)	2,228
Comprehensive income					
Profit for the financial year	-	-	-	388	388
Other comprehensive income					
Exchange adjustments	-	-	-	64	64
Total comprehensive income	-	-	-	452	452
Transactions with owners					
Proceeds of shares issued	50	40	-	-	90
Costs of share issue	-	(1)	-	-	(1)
Share based transactions	-	-	-	22	22
Total transactions with owners	50	39	-	22	111
Balance at 1 January 2009	5,618	5,524	658	(9,009)	2,791
Comprehensive income					
Loss for the financial year	-	-	-	(457)	(457)
Other comprehensive income					
Exchange adjustments	-	-	-	10	10
Total comprehensive income	-	-	-	(447)	(447)
Transactions with owners					
Share based transactions	-	-	-	32	32
Total transactions with owners	-	-	-	32	32
At 31 December 2009	5,618	5,524	658	(9,424)	2,376

Group Cash Flow Statement
for the year ended 31 December 2009

	2009		2008	
	£’000	£000	£’000	£’000
Cash flows from operating activities				
(Loss) / profit before taxation	(379)		333	
Adjustment for depreciation and amortisation	87		50	
Adjustment for investment income	(1)		(2)	
Adjustment for foreign exchange differences	8		45	
Adjustment for share based payments	32		22	
Operating cash flows before movements in working capital	(253)		448	
Decrease / (increase) in trade and other receivables	478		(233)	
(Decrease) / increase in trade and other payables	(354)		95	
Cash generated from operations		(129)		310
Tax credit received		52		26
Net cash generated from operating activities		(77)		336
Cash flows from investing activities				
Finance income		1		2
Development costs capitalised		(24)		(93)
Purchase of plant and equipment		(10)		(24)
Net cash used in investing activities		(33)		(115)
Financing activities				
Issue of ordinary share capital		-		90
Share issue costs		-		(1)
Net cash in from financing activities		-		89
Net (decrease) / increase in cash and cash equivalents		(110)		310
Cash and cash equivalents at beginning of year		546		236
Cash and cash equivalents at end of year		436		546

Notes to the preliminary financial results

1. The figures for the year ended 31 December 2009 and 2008 do not constitute statutory accounts within the meaning of S.434 of the Companies Act 2006. The figures for the year ended 31 December 2009 have been extracted from the statutory accounts for that year on which the auditor has issued an unqualified audit report which have yet to be delivered to the Registrar of Companies. The figures for the year ended 31 December 2008 have been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies and on which the auditor has issued an unqualified audit report. No statement has been made by the auditor under Section 489(2) or (3) of the Companies Act 2006 in respect of either of these sets of accounts. This announcement was approved by the board of directors on 17 March 2010.

2. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together 'IFRS') as endorsed by the European Union. The information in this preliminary statement has been extracted from the audited financial statements for the year ended 31 December 2009 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with the International Financial Reporting Standards ('IFRS').

3. (Loss) / earnings per Share. The basic (loss) / earnings per share is calculated on the loss for the financial year of £457,000 (2008: profit of £388,000), and on the weighted average number of shares in issue during the year of 109,728,470 (2008: 107,228,470). The fully diluted earnings per share in 2008 takes account of outstanding options which results in a weighted average number of shares in issue during the prior year of 114,417,855. As there is a loss per share in 2009 there is no dilution.

4. The directors do not recommend the payment of a final dividend (2008: £nil).

5. These financial statements are presented in sterling as that is the currency of the primary economic environment in which the Group operates.

6. Copies of the 2009 Annual Report and Accounts will be posted to shareholders in April. Further copies may be obtained by contacting the Company Secretary at the registered office. Alternatively the 2009 Annual Report and Accounts will be available to download from the investor relations section on the Company's website www.stilo.com. The annual general meeting is due to be held at 2 Bloomsbury Street, London at 11.30am on 18 May 2010.