INTERIM REPORT 2013

for the six months ended 30 June 2013

stilo international plc

Stilo develops and markets Migrate, the leading cloud XML content conversion service, and OmniMark, the high-performance XML/SGML content processing platform.

We specialise in helping organisations to automate the conversion of their content into different XML standards. Operating from offices in the UK and Canada, we support commercial publishers, technology companies and government agencies around the world.

stilo international plc

CHAIRMAN'S STATEMENT

Following a steadily improving cash position over recent years, and an encouraging set of interim results which show continued profitability, I am pleased to announce the payment by Stilo of its first Interim dividend together with an additional Special dividend. This has been made possible by the completion of the Capital Reduction process, recently announced.

With leading technology and expertise in the XML/SGML content processing sector, the Company is well placed to make further progress.

David Ashman
Chairman

11 September 2013

FINANCIAL PERFORMANCE

- **Sales revenue for six months to 30 June 2013 increased by 4.4% to £733,000** (2012: £702,000)
- **Increase in EBITDA* to £97,000** (2012: £26,000)
- **Operating costs reduced to £627,000** (2012: £667,000)
- **Cash position further strengthened to £1,045,000 as at 30 June 2013** (2012: £973,000)
- **Payment of a maiden dividend in the form of an Interim dividend of 0.02 pence per share and an additional Special dividend of 0.1 pence per share**

*EBITDA comprises profit before taxation, interest, depreciation and the amortisation of software development costs.

BUSINESS HIGHLIGHTS

- New customers for Migrate, the world's first cloud XML content conversion service, include **ACI Worldwide, TIBCO Software, Varian Medical Systems** and **VCE**.
- Introduction of Migrate Partner Programme.
- Migrate functionality enhanced to include DocBook to DITA conversion capabilities.
- Release of OmniMark version 10.1.
- Major OmniMark order received from **Japan Patent Office**.

BUSINESS REVIEW

Stilo specialises in helping organisations to automate the conversion of their content into different XML/SGML standards. Our solutions are used by commercial publishers, technology companies and government organisations that need to convert existing document formats into new digital standards for publishing content to the web, CD-Rom and an ever increasing range of mobile devices.

Stilo's core technology is **OmniMark**, a leading content processing platform used by customers over many years to develop high-performance, content processing solutions that support large scale publishing applications. Users include **Boeing, Pratt and Whitney, EADS, Thomson Publishing,** and **Wolters Kluwer**. OmniMark version 10.1 was released in February 2013, and sales for the period to 30 June 2013 were boosted by a significant upgrade order from the Japan Patent Office, which uses OmniMark to process thousands of patent applications on a daily basis.

Over recent years, the Company has made a significant investment in the development of **Migrate**, the worlds' first cloud XML content conversion service, based upon OmniMark technology. Through advanced levels of automation, it enables our customers to improve turnaround times, reduce operating costs and take direct control of their conversion processes, providing them with an attractive alternative to traditional in-house or outsourced conversion services. Migrate customers include **IBM, Cisco Systems, Oracle** and **Micron Technology**. New customers in 2013 include **ACI Worldwide, TIBCO Software, Varian Medical Systems** and **VCE**.

We continue to make good progress in the growing DITA XML publishing market, and have recently introduced a marketing partner programme targeting XML technology companies, solution providers and publishing consultants. This will help us further establish our position in the XML DITA market, and potentially give rise to additional XML market sector opportunities.

Continued investments in Migrate have served to reinforce its market leading position. New DocBook to DITA conversion functionality was released in February 2013, to help users convert from older XML content management systems to content management systems supporting the new XML DITA standard. A major upgrade, Migrate version 3, has been recently announced, providing improved functionality and ease-of-use for non-technical users.

Our technical team includes leading experts in the development of content conversion tools, and by association, the solving of complex XML/SGML content processing problems. Services engagements previously undertaken on behalf of clients in the Aerospace sector have led to the development of **JETView**, a digital publishing solution for aircraft technical documentation. It is used by cargo airline **ABX Air, Inc**. to aggregate and update information periodically provided by aircraft OEMs, and publish that information digitally for use by maintenance engineers. In the coming months we will look to team with a strategic marketing partner to help exploit the market potential for JETView and associated XML/SGML content processing solutions.

OPERATIONS

At 30 June 2013, Stilo employed 13 permanent staff, based in the UK and in Canada. Additionally, use is made of contractors for the delivery of professional services engagements. Although we plan to make some additional investments in the recruitment of development and conversion services personnel, we do not plan currently to expand headcount significantly in the near future, but remain focused upon revenue growth predominantly through sales of technology and cloud based services.

FINANCIAL PERFORMANCE

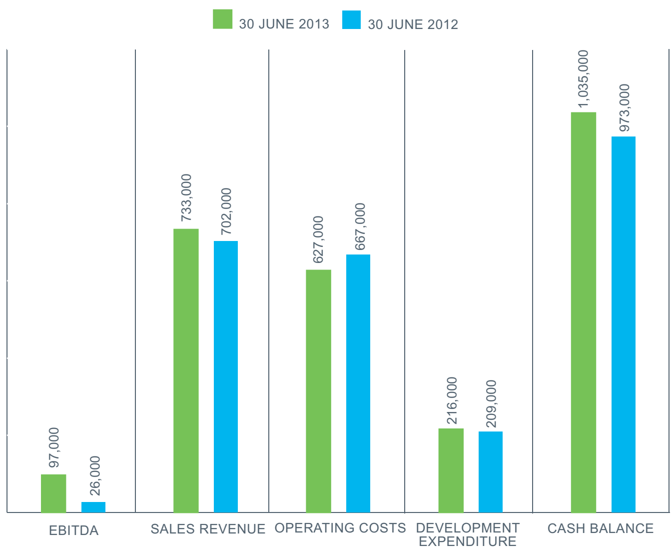
The results for the period ended 30 June 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

There was an improvement in EBITDA over the first six months to £97,000 (2012: £26,000).

Total sales revenues for the period increased by 4.4% to £733,000 (2012: £702,000). Revenue generated from software maintenance contracts held broadly level at £371,000 (2012: £378,000).

The Board continues to maintain careful control over operating costs which decreased slightly by 6.0% to £627,000 (2012: £667,000). Development expenditure in the period was £216,000 (2012: £209,000).

The Company further strengthened its balance sheet, and remains entirely un-geared with a cash balance of £1,035,000 as at 30 June 2013 (31 December 2012: £976,000, 30 June 2012: £973,000).



DIVIDENDS

The Board is delighted to announce that the Company is now in a position to pay its first dividend to shareholders. As set out in a circular to shareholders on 8 July 2013, the Company embarked upon a Capital Reduction exercise. The purpose of this was to enable the Company to consider the payment of dividends and otherwise return value to its shareholders. Through the Capital Reduction the Company has been able to eliminate the deficit on the Company's profit and loss account and to create distributable reserves by the cancellation of 452,056,230 1p deferred shares, and the cancellation of the share premium account which stood at £5,524,800.

The Capital Reduction was approved by the High Court at a hearing on 4 September 2013, and the High Court Order confirming the reduction has been filed with the Registrar of Companies, making the reduction effective, as announced on 6 September 2013.

As a result, the Company is very pleased to be able to declare the payment of its first ever Interim dividend to shareholders at the rate of 0.02 pence per share. In addition, and mindful that shareholders have witnessed over the last few years the Company's increasing level of cash reserves without the Company being in a position to return this cash to shareholders, the Board has declared an additional Special dividend paid of 0.1 pence per share, making a total dividend payable of 0.12 pence per share.

Both the Interim dividend and Special dividend will be paid on 18 October 2013 to those shareholders on the register on 27 September 2013.

The Board's policy is to maintain payment of a steady and progressive dividend, well covered and paid subject to maintaining sufficient funds within the business with regard to prudent forecasts of future capital requirements, without the need for debt funding.

The global market for dynamically publishing digital content to desktop computers, laptops, tablets and mobile devices is rapidly expanding.

We look forward to continuing to build upon our leading position in the DITA XML content conversion market, and to explore further opportunities for automated XML content processing solutions.

New Migrate Partner Programme introduced to help further establish our leading position in the **XML DITA** market.

UNAUDITED GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year to 31 December 2012 Audited £'000
Revenue – Continuing Operations	**733**	702	1,409
Cost of sales	**(14)**	(14)	(35)
Gross profit	**719**	688	1,374
Operating costs	**(627)**	(667)	(1,270)
Other (losses)/gains	**–**	–	(2)
Amortisation of intangible assets	**(24)**	(22)	(48)
Operating profit/(loss)	**68**	(1)	54
Finance income	**4**	3	6
Profit before tax	**72**	2	60
Income tax	**–**	–	58
Profit for the period from continuing operations	**72**	2	118
Earnings per share from continuing operations			
– basic (note 4)	**0.065p**	0.0018p	0.11p
– diluted (note 4)	**0.063p**	0.0017p	0.10p

All profits are attributable to owners of the parent.

UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year to 31 December 2012 Audited £'000
Profit for the period	**72**	2	118
Other comprehensive income			
Foreign currency translation differences	**11**	(24)	(30)
Total other comprehensive income	**11**	(24)	(30)
Total comprehensive income relating to the period	**83**	(22)	88

All comprehensive income is attributable to owners of the parent.

UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	As at 30 June 2013 Unaudited £'000	As at 30 June 2012 Unaudited £'000	As at 31 December 2012 Audited £'000
Non-current assets			
Goodwill	**1,689**	1,689	1,688
Other Intangible assets	**36**	86	60
Plant and equipment	**14**	16	16
Deferred tax assets	**50**	50	50
	1,789	1,841	1,814
Current assets			
Trade and other receivables	**509**	296	212
Income tax asset	**–**	–	55
Other financial asset	**–**	2	–
Cash and cash equivalents	**1,035**	973	976
	1,544	1,271	1,243
Total Assets	**3,333**	3,112	3,057
Current liabilities			
Trade and other payables	**524**	496	327
Non-current liabilities			
Other payables	**–**	–	4
Total liabilities	**524**	496	331
Equity attributable to owners of the parent			
Called up share capital	**5,619**	5,619	5,619
Share premium account	**5,524**	5,524	5,524
Merger reserve	**658**	658	658
Retained earnings	**(8,992)**	(9,185)	(9,075)
Total equity	**2,809**	2,616	2,726
Total Equity and Liabilities	**3,333**	3,112	3,057

UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2012	5,619	5,524	658	(9,164)	2,637
Comprehensive income					
Profit for the period	–	–	–	2	2
Other comprehensive income					
Exchange adjustments	–	–	–	(24)	(24)
Total comprehensive income	–	–	–	(22)	(22)
Transactions with owners					
Share based transactions	–	–	–	1	1
Total transactions with owners	–	–	–	1	1
Balance at 30 June 2012	5,619	5,524	658	(9,185)	2,616
Comprehensive income					
Profit for the period	–	–	–	116	116
Other comprehensive income					
Exchange adjustments	–	–	–	(6)	(6)
Total comprehensive income	–	–	–	110	110
Transactions with owners					
Share based transactions	–	–	–	–	–
Total transactions with owners	–	–	–	–	–
Balance at 1 January 2013	5,619	5,524	658	(9,075)	2,726
Comprehensive income					
Profit for the period	–	–	–	72	72
Other comprehensive income					
Exchange adjustments	–	–	–	11	11
Total comprehensive income	–	–	–	83	83
Transactions with owners					
Share based transactions	–	–	–	–	–
Total transactions with owners	–	–	–	–	–
Balance at 30 June 2013	**5,619**	**5,524**	**658**	**(8,992)**	**2,809**

UNAUDITED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months to 30 June 2013 Unaudited £'000	Six months to 30 June 2012 Unaudited £'000	Year to 31 December 2012 Audited £'000
Cash flows from operating activities			
Profit before taxation	**72**	2	60
Adjustment for depreciation and amortisation	**29**	27	58
Adjustment for investment income	**(4)**	(3)	(6)
Adjustment for gain on financial derivatives	**–**	–	2
Adjustment for foreign exchange differences	**10**	(25)	(28)
Adjustment for share-based payments	**–**	1	1
Operating cash flows before movements in working capital	**107**	2	87
(Increase)/decrease in trade and other receivables	**(297)**	(92)	(8)
Increase/(decrease) in trade and other payables	**193**	85	(80)
Cash generated from operations	**3**	(5)	(1)
Tax credit received	**55**	53	56
Net cash from operating activities	**58**	48	55
Cash flows from investing activities			
Finance income	**4**	3	6
Sale of equipment	**–**	–	–
Development costs capitalised	**–**	(14)	(14)
Purchase of plant and equipment	**(3)**	(3)	(10)
Net cash used in investing activities	**1**	(14)	(18)
Share capital			
Proceeds from new shares issued	**–**	–	–
Net increase in cash and cash equivalents	**59**	34	37
Cash and cash equivalents at beginning of period	**976**	939	939
Cash and cash equivalents at end of period	**1,035**	973	976

1. The interim results (approved by the Board of Directors and authorised for issue on 11 September 2013) are neither audited nor 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 2012. Those accounts, upon which the auditors issued an unqualified opinion, and did not contain a statement under Section 498 (2) and (3) of the Companies Act 2006, 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. 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 the recognition and measurement principles of 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 reporting date. If in the future such estimates and assumptions, which are based on management's best judgement at the reporting date, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The interim results 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 2013 have been prepared in accordance with the accounting policies expected to apply in respect of the financial statements for the year ended 31 December 2013.

3. There is no tax charge for the period due to the availability of tax losses brought forward.

4. 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 2013 was 109,808,470 shares (30 June 2012 and 31 December 2012: 109,808,470 shares). The weighted average number of ordinary shares in issue for the six months to 30 June 2013, for the fully diluted earnings per share, taking account of outstanding options was 114,363,623 (30 June 2012: 118,063,327, 31 December 2012: 117,949,316).

5. Post Balance Sheet Event – Capital Reduction.
At a hearing of the High Court of Justice Chancery Division on 4 September 2013, agreement was given to a Capital Reduction. The purpose of the Capital Reduction was to eliminate a deficit on the profit and loss account of Stilo International plc, which at 31 December 2012 stood at £9,782,000. This was to be achieved by asking the Court to approve the cancellation of the Share Premium Account which stood at £5,524,000, and the cancellation of 452,056,230 deferred shares of 1p each nominal value. The cancellation of the deferred shares will reduce the called up share capital of the company from £5,618,647 to £1,098,085.

The company sought authority for the Capital Reduction from shareholders, and this was given by the passing of two special resolutions at a General Meeting held on 31 July 2013.

6. Copies of this report will be sent to shareholders 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**.

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS AND OFFICERS
David Ashman
Non-Executive Director and Chairman

Leslie Burnham
Director and Chief Executive Officer

Richard Alsept
Director, Chief Financial Officer
and Company Secretary

REGISTERED OFFICE
Regus House
Windmill Hill Business Park
Whitehill Way, Swindon
SN5 6QR

REGISTERED NUMBER
03893693

PRINCIPAL BANKERS
National Westminster Bank plc
207 Richmond Road
Cardiff
CF2 3XT

INDEPENDENT AUDITOR
Baker Tilly UK Audit LLP
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6AD

NOMINATED ADVISER
Charles Stanley Securities
131 Finsbury Pavement
London
EC1A 3NT

BROKER
Charles Stanley Securities
131 Finsbury Pavement
London
EC1A 3NT

REGISTRAR
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

SOLICITORS
Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX


MIGRATE
<cloud content conversion>
stilo
international plc

stilo

international plc

Windmill Hill Business Park,
Whitehill Way, Swindon SN5 6QR

T +44 1793 441444
F +44 1793 441644
info@stilo.com
www.stilo.com

Registered Number 03893693