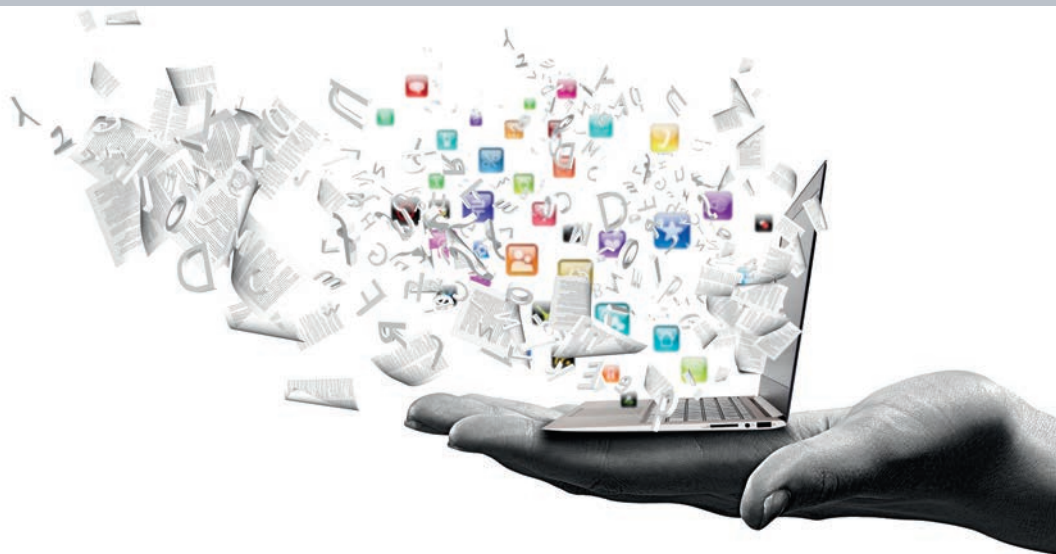


INTERIM REPORT



for the six months ended 30 June 2014

Stilo specialises 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.

New customers for the Migrate cloud XML content conversion service include Kaplan Professional Education, ADP, Pitney Bowes, CD-Adapco, Deltek, Unicef and Cray Inc.

CHAIRMAN'S STATEMENT

Sales decreased slightly during the period, primarily due to a reduction in OmniMark software license sales, which are expected to be offset by increased Migrate sales in the second half of 2014.

Significant progress has been made with the development of AuthorBridge, a new, ground-breaking web-based authoring solution for large enterprises, with customer pilot projects scheduled for later this year and general release planned for early 2015.

With a continuing healthy cash position and encouraging business outlook, I am pleased to announce the payment by Stilo of an interim dividend of 0.03 pence per share.

David Ashman
Chairman

11 September 2014

FINANCIAL PERFORMANCE

- **Sales revenue for six months to 30 June 2014 £617,000**
(2013: £733,000)
- **EBITDA* to £48,000** (2013: £97,000)
- **Operating costs, net of capitalised development costs, £567,000**
(2013: £627,000)
- **Cash position further strengthened to £1,091,000**
as at 30 June 2014 (2013: £1,035,000)
- **Payment of an interim dividend of 0.03 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 **Kaplan Professional Education, ADP, Pitney Bowes, CD-Adapco and Deltek.**
- New Migrate customers through marketing partners include **Unicef and Cray Inc.**
- Migrate functionality enhanced to include **DITA for Learning topics.**
- OmniMark software orders include the **European Parliament, Embraer** and the **Japan Patent Office.**
- OmniMark maintenance revenues remain broadly level at constant currency.
- Encouraging progress made with the development of **AuthorBridge** – a new, ground-breaking XML web authoring solution for large enterprises, planned for general release in 2015.
- Recruitment of additional sales resource to help progress new business opportunities.

Large organisations need to process ever increasing amounts of digital content and publish information to multiple media channels including print, web, CD-ROM, smartphones, ebook readers and mobile devices.

These organisations often need to author and publish content in multiple languages, and re-use that content in many different ways, across different publications and document types. Innovative web applications dynamically assemble and deliver content to users that is tailored to their individual purchasing requirements, reading preferences or personal interests.

The content management systems that support such digital publishing applications typically necessitate that content is stored and processed in a 'neutral' XML (Extensible Markup Language) format prior to publication.

Stilo specialises in helping organisations automate the conversion of their existing content into different XML formats. Our solutions are used by commercial publishers, technology companies and government agencies and include organisations involved in the production and maintenance of technical documentation.

The business opportunity for XML content conversion technology and services is global and growing, and it is Stilo's objective to dominate this market sector.

PRODUCTS AND CUSTOMERS

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. Sales for the period included orders from the European Parliament, Embraer and the Japan Patent Office.

Over recent years, the Company has made a significant investment in the development of **Migrate**, the world's 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 2014 include Kaplan Professional Education, Pitney Bowes, CD-Adapco, Deltek and ADP.

The recently introduced Migrate Partner Programme has generated additional new business in 2014 with customers including Unicef in Switzerland and Cray Inc. in the USA, and ongoing will serve to generate incremental business opportunities in new geographic territories and market sectors.

We have recently initiated the development of **AuthorBridge**, a low-cost, web-based XML authoring solution for occasional contributors to enterprise content management systems, who have no prior knowledge of XML or its complexities.

AuthorBridge is a server-based application that integrates with CK Editor, the world's leading open source HTML editor, and utilises OmniMark and Migrate technology to convert from HTML to XML, and back again.

Pilot projects are currently scheduled with customers later in 2014, with the planned general release of AuthorBridge early in 2015.

OPERATIONS

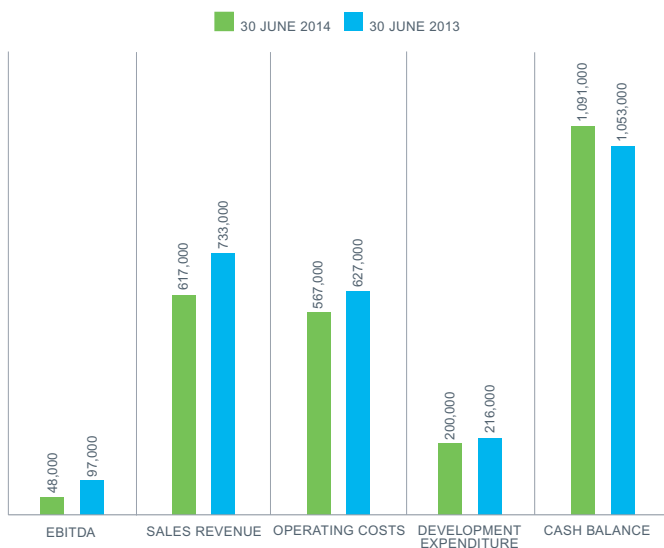
At 30 June 2014, Stilo employed 15 permanent staff, based in the UK and in Canada. Additionally, use is made of contractors for the delivery of professional service engagements. Although we plan to make some additional investments in the recruitment of further development personnel, we do not currently plan to expand the 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 2014 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

EBITDA for the first six months of the year was £48,000 (2013: £97,000), and pre-tax profits were £39,000 (2013: £72,000).

Total sales revenue for the period was £617,000 (2013: £733,000). The slight decrease in revenue was due primarily to a reduction in OmniMark software licence sales, which is expected to be offset by increased Migrate sales in the second half of 2014. Revenue generated from software maintenance contracts held broadly level at £344,000 (2013: £371,000). In addition, adverse foreign currency effects meant that total revenue was depressed by approximately £43,000 compared to the same period in 2013.



The Board continues to maintain careful control over operating costs, which in the period were £567,000, net of capitalised development costs (2013: £627,000). Total development expenditure, including capitalised costs, in the period was £200,000 (2013: £216,000).

Staff costs and overheads, which were directly attributable to the development of AuthorBridge in the period, were £71,000 and these costs have been capitalised and recognised as an intangible asset, which is expected to generate revenue in 2015.

The Company continues to further strengthen its balance sheet, and remains entirely un-g geared with a cash balance of £1,091,000 as at 30 June 2014 (31 December 2013: £1,085,000, 30 June 2013: £1,035,000).

DIVIDENDS

During the period, the final dividend for the year ended 31 December 2013 was paid at the rate of 0.03 pence per share.

The Board is pleased to declare the payment of an Interim dividend for the year ended 31 December 2014 to shareholders at the rate of 0.03 pence per share (2013: 0.02 pence per share), which will be paid on 15 October 2014 to those shareholders on the register as at 26 September 2014.

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.

Trading in 2014 continues in line with management forecasts. 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.

UNAUDITED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
Revenue – Continuing Operations	617	733	1,504
Cost of sales	(7)	(14)	(22)
Gross profit	610	719	1,482
Operating costs	(567)	(627)	(1,253)
Other (losses)	–	–	(2)
Exceptional costs	–	–	(34)
Amortisation of intangible assets	(7)	(24)	(48)
Operating profit	36	68	145
Finance income	3	4	8
Profit before tax	39	72	153
Income tax	–	–	54
Profit for the period from continuing operations	39	72	207
Earnings per share from continuing operations			
– basic (note 4)	0.035p	0.065p	0.19p
– diluted (note 4)	0.034p	0.063p	0.18p
Dividends			
– dividends paid per share	0.03p	–	0.12p

All profits are attributable to owners of the parent.

UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
Profit for the period	39	72	207
Other comprehensive income			
Items that may subsequently be reclassified to profit and loss			
Foreign currency translation differences	(31)	11	(41)
Total other comprehensive income	8	11	(41)
Total comprehensive income relating to the period	18	83	166

All comprehensive income is attributable to owners of the parent.

UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	As at 30 June 2014 Unaudited £'000	As at 30 June 2013 Unaudited £'000	As at 31 December 2013 Audited £'000
Non-current assets			
Goodwill	1,673	1,689	1,676
Other Intangible assets	75	36	12
Plant and equipment	20	14	19
Deferred tax assets	50	50	50
	1,818	1,789	1,757
Current assets			
Trade and other receivables	296	509	272
Income tax asset	53	–	55
Cash and cash equivalents	1,091	1,035	1,085
	1,440	1,544	1,412
Total Assets	3,258	3,333	3,169
Current liabilities			
Trade and other payables	522	524	391
Non-current liabilities			
Other payables	–	–	17
Total liabilities	522	524	408
Equity attributable to owners of the parent			
Called up share capital	1,098	5,619	1,098
Share premium account	–	5,524	–
Merger reserve	658	658	658
Retained earnings	980	(8,992)	1,005
Total equity	2,736	2,809	2,761
Total Equity and Liabilities	3,258	3,333	3,169

UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained Earnings £'000	Total £'000
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 (unaudited)	5,619	5,524	658	(8,992)	2,809
Comprehensive income					
Profit for the period	—	—	—	135	135
Other comprehensive income					
Exchange adjustments	—	—	—	(52)	(52)
Total comprehensive income	—	—	—	83	83
Transactions with owners					
Share based transactions	—	—	—	1	1
Dividend paid	—	—	—	(132)	(132)
Shares cancelled	(4,521)	(5,524)	—	10,045	—
Total transactions with owners	(4,521)	(5,524)	—	9,914	(131)
Balance at 31 December 2013 (audited)	1,098	—	658	1,005	2,761
Comprehensive income					
Profit for the period	—	—	—	49	49
Other comprehensive income					
Exchange adjustments	—	—	—	(31)	(31)
Total comprehensive income	—	—	—	8	8
Transactions with owners					
Share based transactions	—	—	—	—	—
Dividend paid	—	—	—	(33)	(33)
Total transactions with owners	—	—	—	(33)	(33)
Balance at 30 June 2014 (unaudited)	1,098	—	658	980	2,736

UNAUDITED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
Cash flows from operating activities			
Profit before taxation	39	72	153
Adjustment for depreciation and amortisation	12	29	59
Adjustment for investment income	(3)	(4)	(8)
Adjustment for gain on financial derivatives	–	–	2
Adjustment for foreign exchange differences	(25)	10	(31)
Adjustment for share-based payments	–	–	1
Operating cash flows before movements in working capital	23	107	176
(Increase) in trade and other receivables	(24)	(297)	(60)
Increase in trade and other payables	114	193	77
Cash generated from operations	113	3	193
Tax paid	–	–	(1)
Tax credit received	–	55	55
Net cash from operating activities	113	58	247
Cash flows from investing activities			
Finance income	3	4	8
Development costs capitalised	(71)	–	–
Purchase of plant and equipment	(6)	(3)	(14)
Net cash (used in)/generated from investing activities	(74)	1	(6)
Financing activities			
Dividends paid	(33)	–	(132)
Net increase in cash and cash equivalents	6	59	109
Cash and cash equivalents at beginning of period	1,085	976	976
Cash and cash equivalents at end of period	1,091	1,035	1,085

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. The interim results (approved by the Board of Directors and authorised for issue on 10 September 2014) 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 2013. 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 2014 have been prepared in accordance with the accounting policies expected to apply in respect of the financial statements for the year ended 31 December 2014.

NOTES TO THE INTERIM RESULTS *continued*

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 was 109,808,470 shares (30 June 2013 and 31 December 2013: 109,808,470 shares). The weighted average number of ordinary shares in issue for the six months to 30 June 2014, for the fully diluted earnings per share, taking account of outstanding options was 113,599,756 (30 June 2013: 114,363,623, 31 December 2013: 114,283,845).
5. 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 is also 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
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

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
1 Glass Wharf
Bristol
BS2 0ZX

AUTHORBRIDGE



Significant progress was made on the development of AuthorBridge, a new browser-based XML authoring solution for large enterprises, due for release in 2015.



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