

INTERIM REPORT



for the six months ended 30 June 2015



Stilo develops tools to help organisations automate the conversion of legacy content to XML, author new content in XML format, and build XML content processing components integral to enterprise-level publishing solutions.

Operating from offices in the UK and Canada, we support commercial publishers, technology companies and government agencies around the world.

CHAIRMAN'S STATEMENT

Our trading results for the first half of 2015 were very encouraging, with strong growth in Migrate sales including the largest ever single order, received from a major semiconductor manufacturer in the US.

Development of AuthorBridge, our new web-based XML DITA authoring tool, is progressing well. An initial pilot is ongoing with a major customer and preliminary feedback has been very promising.

The Company remains un-gearred, and with a continuing healthy cash position and an 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

8 September 2015

FINANCIAL PERFORMANCE

- Sales revenues for six months to 30 June 2015 increase by 27% to **£784,000** (2014: £617,000)
- Increase in EBITDA* to **£166,000** (2014: £48,000)
- Operating costs, net of capitalised development costs, **£617,000** (2014: £567,000)
- Cash position maintained at **£1,072,000** as at 30 June 2015 (2014: £1,091,000)
- 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

- Strong growth in **Migrate** revenues, the world's first cloud XML content conversion service, with sales in the first six months of 2015 broadly equivalent to total sales in 2014.
- New customers for Migrate include **Qualcomm, Perceptive Software, Tridium, Infinera, Openet, Sensus, Harmonic, NetApp** and **Dell Software**.
- Largest ever order for Migrate, value **US\$765,000 over 3 years**, received from a **major semiconductor manufacturer** in the US.
- **OmniMark** software license orders received from the **European Parliament, Scandinavian Airlines** and **Honeywell**.
- Recurring OmniMark maintenance revenues remain broadly level.
- Increased ongoing investments in the development of **AuthorBridge**, a new XML web authoring solution for large enterprises, planned for general release at the end of 2015.

BUSINESS REVIEW

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 strategic objective to be a leading supplier to 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, Scandinavian Airlines and Honeywell.

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 2015 include Qualcomm, Perceptive Software, Tridium, Infinera, OpeNet, Sensus, Harmonic, NetApp, and Dell Software. A particular highlight was the awarding of an order for Migrate by a major US semiconductor manufacturer, value US\$765,000 over three years, with US\$265,000 recognised in 2015. Migrate sales revenues in the first 6 months of 2015 have been broadly equivalent to total Migrate sales for the whole of 2014, which is very encouraging.

Development of **AuthorBridge**, our new web-based XML DITA authoring tool, is progressing well. An initial pilot is ongoing with a major customer and preliminary feedback has been very promising. General release is currently scheduled for the end of 2015, and we look forward to new AuthorBridge sales contributing positively to revenues later in 2016.

OPERATIONS

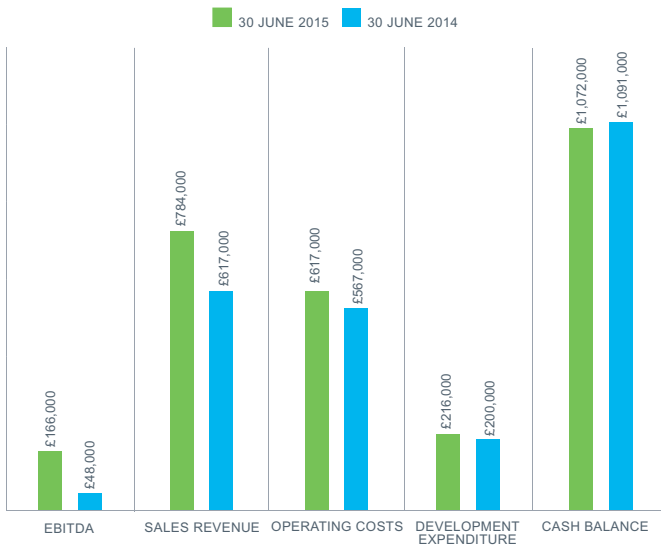
At 30 June 2015, Stilo employed 15 permanent staff, based in the UK and in Canada. We plan to make further investments in the recruitment of additional personnel and contractors to assist with AuthorBridge developments, but otherwise we do not anticipate expanding the headcount significantly in the near future.

FINANCIAL PERFORMANCE

The results for the period ended 30 June 2015 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 increased to £166,000 (2014: £48,000), and pre-tax profits were £161,000 (2014: £39,000).

Total sales revenue for the period increased by 27% compared to the same period last year to £784,000 (2014: £617,000). The increase in revenue was due primarily to a significant increase in Migrate sales to £361,000 (2014: £140,000), compensating for an expected reduction in revenue from OmniMark licences. Recurring revenue generated from software maintenance contracts held level at £357,000 (2014: £344,000).



The Board continues to maintain careful control over operating costs, although investment in additional staff and foreign exchange movements meant that costs rose in the period to £617,000, net of capitalised development expenditure (2014: £567,000). Total development expenditure, including capitalised costs, was £216,000 (2014: £200,000).

Staff costs and other expenditure which were directly attributable to the development of AuthorBridge in the period were £77,000 and these costs have been capitalised and recognised as an intangible asset which is expected to generate initial revenues later in 2016.

The Company continues to further strengthen its balance sheet, and remains entirely un-gearred with a cash balance broadly maintained of £1,072,000 as at 30 June 2015 (31 December 2014: £1,089,000, 30 June 2014: £1,091,000).

DIVIDENDS

During the period, the final dividend for the year ended 31 December 2014 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 2015 to shareholders at the rate of 0.03 pence per share (2014: 0.03 pence per share) which will be paid on 29 October 2015 to those shareholders on the register as at 2 October 2015. The shares will be marked ex-dividend on 1 October 2015.

The Board's policy is to maintain the 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 2015 continues in line with management expectations. We look forward to continuing to build upon our **leading position** in the DITA XML content conversion market, and to the general release of AuthorBridge at the end of 2015, which will represent a significant milestone in the continuing evolution of Stilo.

Largest ever order received for Migrate from a major US semiconductor manufacturer, value US\$765,000 over three years.

UNAUDITED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months to 30 June 2015 Unaudited £'000	Six months to 30 June 2014 Unaudited £'000	Year to 31 December 2014 Audited £'000
Revenue – Continuing Operations	784	617	1,262
Cost of sales	(6)	(7)	(13)
Gross profit	778	610	1,249
Operating costs	(617)	(567)	(1,152)
Amortisation of intangible assets	(2)	(7)	(8)
Operating profit	159	36	89
Finance income	2	3	6
Profit before tax	161	39	95
Income tax	–	–	58
Profit for the period attributable to the equity shareholders of the parent company	161	39	153
Earnings per share			
– basic (note 4)	0.15p	0.035p	0.14p
– diluted (note 4)	0.14p	0.034p	0.13p
Dividends			
– dividends paid per share	0.03p	0.03p	0.06p

UNAUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months to 30 June 2015 Unaudited £'000	Six months to 30 June 2014 Unaudited £'000	Year to 31 December 2014 Audited £'000
Profit for the period	161	39	153
Other comprehensive income			
Items that may subsequently be reclassified to profit and loss			
Foreign currency translation differences	(72)	(31)	(30)
Total other comprehensive income	(72)	(31)	(30)
Total comprehensive income relating to the period	89	8	123

All comprehensive income is attributable to equity shareholders of the parent company.

UNAUDITED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	As at 30 June 2015 Unaudited £'000	As at 30 June 2014 Unaudited £'000	As at 31 December 2014 Audited £'000
Non-current assets			
Goodwill	1,666	1,673	1,674
Other Intangible assets	188	75	118
Plant and equipment	19	20	20
Deferred tax assets	50	50	50
	1,923	1,818	1,862
Current assets			
Trade and other receivables	409	296	272
Income tax asset	–	53	59
Cash and cash equivalents	1,072	1,091	1,089
	1,481	1,440	1,420
Total Assets	3,404	3,258	3,282
Current liabilities			
Trade and other payables	530	522	453
Non-current liabilities			
Other payables	–	–	11
Total liabilities	530	522	464
Equity attributable to equity shareholders of the parent company			
Called up share capital	1,098	1,098	1,098
Merger reserve	658	658	658
Retained earnings	1,118	980	1,062
Total equity	2,874	2,736	2,818
Total Equity and Liabilities	3,404	3,258	3,282

UNAUDITED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to equity shareholders of the parent company			
	Called up share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014 (audited)	1,098	658	1,005	2,761
Comprehensive income				
Profit for the period	–	–	39	39
Other comprehensive income				
Exchange adjustments – may recycle to profit and loss account	–	–	(31)	(31)
Total comprehensive income	–	–	8	8
Transactions with owners				
Dividend paid	–	–	(33)	(33)
Total transactions with owners	–	–	(33)	(33)
Balance at 30 June 2014 (unaudited)	1,098	658	980	2,736
Comprehensive income				
Profit for the period	–	–	114	114
Other comprehensive income				
Exchange adjustments – may recycle to profit and loss account	–	–	1	1
Total comprehensive income	–	–	115	115
Transactions with owners				
Dividend paid	–	–	(33)	(33)
Total transactions with owners	–	–	(33)	(33)
Balance at 31 December 2014 (audited)	1,098	658	1,062	2,818
Comprehensive income				
Profit for the period	–	–	161	161
Other comprehensive income				
Exchange adjustments – may recycle to profit and loss account	–	–	(72)	(72)
Total comprehensive income	–	–	89	89
Transactions with owners				
Dividend paid	–	–	(33)	(33)
Total transactions with owners	–	–	(33)	(33)
Balance at 30 June 2015 (unaudited)	1,098	658	1,118	2,874

UNAUDITED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months to 30 June 2015 Unaudited £'000	Six months to 30 June 2014 Unaudited £'000	Year to 31 December 2014 Audited £'000
Cash flows from operating activities			
Profit before taxation	161	39	95
Adjustment for depreciation and amortisation	7	12	19
Adjustment for investment income	(2)	(3)	(6)
Adjustment for gain on financial derivatives	(5)	–	24
Adjustment for foreign exchange differences	(46)	(25)	(28)
Operating cash flows before movements in working capital			
	115	23	104
(Increase) in trade and other receivables	(137)	(24)	–
Increase in trade and other payables	66	114	32
Cash generated from operations			
	44	113	136
Tax paid	–	–	(1)
Tax credit received	53	–	55
Net cash from operating activities			
	97	113	190
Cash flows from investing activities			
Finance income	2	3	6
Development costs capitalised	(77)	(71)	(114)
Purchase of plant and equipment	(6)	(6)	(12)
Net cash used in investing activities			
	(81)	(74)	(120)
Financing activities			
Dividends paid	(33)	(33)	(66)
Net (decrease)/increase in cash and cash equivalents			
	(17)	6	4
Cash and cash equivalents at beginning of period	1,089	1,085	1,085
Cash and cash equivalents at end of period			
	1,072	1,091	1,089

NOTES TO THE INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. The interim results (approved by the Board of Directors and authorised for issue on 8 September 2015) 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 2014. 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 2015 have been prepared in accordance with the accounting policies expected to apply in respect of the financial statements for the year ended 31 December 2015.

NOTES TO THE INTERIM RESULTS *continued*

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 was 109,808,470 shares (30 June 2014 and 31 December 2014: 109,808,470 shares). The weighted average number of ordinary shares in issue for the six months to 30 June 2015, for the fully diluted earnings per share, taking account of outstanding options was 114,149,841 (30 June 2014: 113,599,756, 31 December 2014: 113,383,710).
5. Copies of this report will be available to download from the **investor relations section** of the Company's website **www.stilo.com**.

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS AND OFFICERS

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Non-Executive Director and Chairman

Leslie Burnham

Director and Chief Executive Officer

Richard Alsept

*Director, Chief Financial Officer
and Company Secretary*

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AUTHORBRIDGE



Development of AuthorBridge is progressing well.

We look forward to new sales contributing positively to revenues later in 2016.

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