15 March 2018

STILO INTERNATIONAL PLC

Preliminary Announcement of Results
for Year Ended 31 December 2017

Stilo International plc ("Stilo", the “Group” or the "Company") today announces its results for the year ended 31 December 2017. The Company develops software tools and cloud services that help organisations create and process structured content in XML format so that it can be more easily stored, managed, re-used, translated and published to multiple print and digital channels.

FINANCIAL HIGHLIGHTS

- 8% increase in sales revenues to £1,894,000 (2016: £1,761,000)
- Profit before tax of £309,000 (2016: £318,000)
- 10% increase in operating costs, net of capitalised development costs, to £1,578,000 (2016: £1,437,000)
- Increased investment in total product development to £656,000 (2016: £538,000) of which £213,000 capitalised (2016: £204,000)
- Improved cash position of £1,621,000 as at 31 December 2017 (2016: £1,466,000)
- Final dividend proposed of 0.05 pence per Ordinary Share, providing an 11% increase in total dividend to 0.10 pence for the year (2016: total 0.09 pence)

BUSINESS HIGHLIGHTS

- Significant OmniMark software licence orders received from the Japan Patent Office
- 7% increase in Migrate revenues, with customers for the period including GE, Brocade, Qualcomm, Tyco, ITT, Microchip, Tibco, Cisco, Deltek, RSSB (Rail Safety and Standards Board), Motorola, Tetra Pak, Viewpoint, AMAT Varian and Atmel
- 6% increase in recurring software maintenance revenues to £929,000 (2016: £871,000)
- Release of trial version of AuthorBridge v2
- Launch of new web site (www.stilo.com)

David Ashman, Chairman, commenting on the Company's performance, stated:

I am pleased to report that in 2017 we increased sales by 8% to £1,894,000 and continued to invest in new product development and marketing initiatives while maintaining our levels of profitability.

Sales of OmniMark software licences to Japan were particularly strong and we saw a healthy increase in Migrate revenues as the XML DITA market grew encouragingly from previous levels. Recurring software maintenance revenues also increased during the period.

The development of AuthorBridge has taken longer than we expected, as v2 development continues into 2018. However, we recognise that this is a multi-year endeavour which will serve to underpin the future growth of the Company, and are encouraged by the feedback so far received from early customers.

Our reported profits are stated after the capitalisation of AuthorBridge development costs, as mandated by IFRS reporting standards and we anticipate amortising the accumulated capitalised costs (which now amount to £688,000) over a ten year period starting in the current financial year, following the general release of AuthorBridge v2.

With increasing cash reserves, I am pleased to propose the payment of a final dividend of 0.05 pence per share, providing a total dividend for the year of 0.10 pence per share.

OUTLOOK

The Directors are aware that material orders from two key customers for OmniMark and Migrate will not be repeated in 2018 and the revenue shortfall will need to be offset by new business sales to maintain the current level of revenues. To support this we are undertaking additional investments in sales and marketing with the objective of further broadening the customer base and accelerating the growth of AuthorBridge.

We are encouraged by the sales pipeline for new business prospects, but at the current time it is far too early to know what the outcome will be for 2018. However, Stilo has the balance sheet, and product portfolio, not to shy away from incurring costs today in order to steepen the Company's long term growth curve and to deliver sustainable value growth to investors.

ENQUIRIES

Stilo International plc
Les Burnham, Chief Executive

T +44 (0)1793 441444

SPARK Advisory Partners
(Nominated Adviser)
Neil Baldwin T +44 (0) 203 368 3554
Mark Brady T +44 (0) 203 368 3551

SI Capital (Broker)
Nick Emerson
T +44 (0) 1483 413500

CHAIRMAN'S STATEMENT

I am pleased to report that in 2017 we increased sales by 8% to £1,894,000 and continued to invest in new product development and marketing initiatives while maintaining our levels of profitability.

Sales of OmniMark software licences to Japan were particularly strong and we saw a healthy increase in Migrate revenues as the XML DITA market grew encouragingly from previous levels. Recurring software maintenance revenues also increased during the period.

The development of AuthorBridge has taken longer than we expected, as v2 development continues into 2018. However, we recognise that this is a multi-year endeavour which will serve to underpin the future growth of the Company, and are encouraged by the feedback so far received from early customers.

Our reported profits are stated after the capitalisation of AuthorBridge development costs, as mandated by IFRS reporting standards and we anticipate amortising the accumulated capitalised costs (which now amount to £688,000) over a ten year period starting in the current financial year, following the general release of AuthorBridge v2.

With increasing cash reserves, I am pleased to propose the payment of a final dividend of 0.05 pence per share, providing a total dividend for the year of 0.10 pence per share.

David Ashman
Chairman
15 March 2018

BUSINESS OVERVIEW

Stilo develops software tools and cloud services that help organisations create and process structured content in XML format, so that it can be more easily stored, managed, re-used, translated and published to multiple print and digital channels.

Over recent years, many organisations have adopted industry specific XML standards e.g. Publishing (DocBook), Aerospace & Defence (S1000D), Finance (XBRL), Life Sciences (SPL), Software and High Tech (DITA). Stilo made the decision some years ago to focus new product development and marketing efforts on the emerging DITA standard. This standard originated within IBM to support the publishing of its technical documentation and has been increasingly adopted by other software and high tech companies. DITA is now beginning to make inroads into additional market sectors including Manufacturing, Life Sciences and Publishing.

In order to diversify beyond the DITA market, we have recently undertaken research into the XML JATS (Journal Article Tag Suite) market for scientific and scholarly publishers. Initial indications are that this could represent a promising new business opportunity for Stilo, and we will seek to address this through the incremental development of AuthorBridge and Migrate.

We continue to build upon our strong reputation for excellent products and supporting technical expertise, resulting from many years of experience in the structured content marketplace. With offices in the UK and Canada, we support clients throughout North America, Europe and Japan.

PRODUCTS AND CUSTOMERS

OmniMark

Stilo's core technology is OmniMark, a long-established development platform used to build high-performance content processing applications integral to enterprise publishing solutions.

Users include The Boeing Company, Pratt and Whitney, Airbus Defence & Space, Clarivate Analytics and Wolters Kluwer.

Sales for the year included orders from the European Parliament and the Japan Patent Office.

Migrate

Migrate is the world's first cloud XML content conversion service and utilises OmniMark technology. Through advanced levels of automation, it enables organisations to improve turnaround times, reduce operating costs and take direct control of their work schedules, providing an attractive alternative to traditional outsourced conversion services.

Migrate sales for the year include orders from GE, Brocade, Qualcomm, Tyco, ITT, Microchip, Tibco, Cisco, Deltek, RSSB (Rail Safety and Standards Board), Motorola, Tetra Pak, Viewpoint, AMAT Varian and Atmel.

Using Migrate, we have helped our customers convert over one million pages of content to the DITA format.

AuthorBridge

AuthorBridge is a web-based XML authoring tool, designed for occasional content contributors who have no knowledge of XML or its complexities. It is currently targeted at large enterprises, which are looking to extend the use of DITA across different business units and potentially support thousands of users.

Development of AuthorBridge is progressing well, albeit with some slippage against original schedules. Its initial deployment in production at IBM, following extensive co-operation and testing by the central Information Developer Tools team, serves as a good foundation upon which we can build future sales.

The ongoing development of AuthorBridge continues into 2018, as we add functionality that is necessary to advance sales more generally in the DITA market.

Planned developments in 2018 also include support for the XML JATS (Journal Article Tag Suite) standard for scientific and scholarly publishers, and for the NISO STS (Standards Tag Suite) standards developed by NISO (National Information Standards Organisation).

Sales analysis by geographic region

Our customers typically comprise large organisations, and are spread globally. Geographic sales revenues were derived as follows:

Region	**2017**	**2016**
UK	2%	2%
Rest of Europe	12%	10%
North America	51%	49%
South America	3%	9%
Asia	32%	30%

North America continues to represent a significant proportion of sales revenues as adoption of the DITA XML standard has been primarily led by corporations with their headquarters based in the USA. It is anticipated that adoption of the DITA XML standard will spread internationally over the coming years.

Technical expertise

Our technical team includes leading experts in the development of XML content processing technologies and along with our support services, are very highly regarded by customers.

OmniMark is used in the development of Migrate, and both Migrate and OmniMark technologies are used in AuthorBridge, which results in very efficient integrated development and support activities.

Operations

Stilo operates from offices located in Swindon, UK and Ottawa, Canada. The technical team is based in our Ottawa office.

As of 31 December 2017, there were 18 permanent employees in the Group, complemented by the use of contractors. In 2018 we will be making additional investments in the recruitment of development personnel, but it is not anticipated that we will be growing headcount significantly, as we look to contain our costs and scale the business through technology sales.

FINANCIAL RESULTS

The results for the year ended 31 December 2017 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

In 2017, the results for Stilo show a decrease in EBITDA to £315,000 (2016: £327,000). Pre-tax profits were £309,000 (2016: £318,000).

Total sales revenues for the year increased by 8% to £1,894,000 (2016: £1,761,000). The Group continued to benefit from recurring revenue from software maintenance contracts of £929,000 (2016: £871,000) which represents 49% (2016: 49%) of annual sales revenue.

The Group continues to maintain careful control over operating costs. Investment in additional development staff has meant that operating costs increased in the year. Operating expenses, excluding capitalised development costs, were £1,591,000 (2016: £1,449,000).

Investment in research and development continued in 2017, with total expenditure for the year of £656,000 (2016: £538,000). As a result of this investment, Stilo continues to benefit from research and development tax credits. Of this expenditure, £213,000 (2016: £204,000) relating to the development of AuthorBridge has been capitalised, and the total accumulated capitalised costs will be depreciated over a 10 year period, commencing in 2018.

There was a cash balance of £1,621,000 as at 31 December 2017 (31 December 2016: £1,466,000), and Stilo remains entirely un-geared. This Statement of Financial Position stability provides a sound financial base for the Group and will support continued investment in product development, sales and marketing. Further investment in staff recruitment is expected in 2018, however, overall costs will continue to be carefully managed in order to maintain cash reserves at a satisfactory level.

Total trade receivables were £126,000 (2016: £348,000), equating to 24 days (2016: 72 days). Overdue amounts are closely monitored.

DIVIDENDS

The Board recommends the payment of a final dividend for the year of 0.05 pence per Ordinary Share which, if approved by the shareholders at the AGM on 23 May 2018, will be paid on 30 May 2018 to shareholders on the register on 20 April 2018. The shares will be marked ex-dividend on 19 April 2018. If approved, payment of the final dividend will bring the total dividends paid to shareholders for the year to 0.10 pence per Ordinary Share.

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.

OUTLOOK

The Directors are aware that material orders from two key customers for OmniMark and Migrate will not be repeated in 2018 and the revenue shortfall will need to be offset by new business sales to maintain the current level of revenues. To support this, we are undertaking additional investments in sales and marketing with the objective of further broadening the customer base and accelerating the growth of AuthorBridge.

We are encouraged by the sales pipeline for new business prospects, but at the current time it is far too early to know what the outcome will be for 2018. However, Stilo has the balance sheet, and product portfolio, not to shy away from incurring costs today in order to sharpen the Group's long term growth curve and deliver sustainable value growth to investors.

Group Income Statement
Year Ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue		1,894	1,761
Cost of sales		(13)	(12)
Gross profit		1,881	1,749
Administrative expenses		(1,578)	(1,437)
Operating profit		303	312
Finance income		6	6
Profit before tax		309	318
Income tax		4	13
Profit for the year attributable to the equity shareholders of the parent company		313	331
Earnings per share attributable to equity shareholders of the parent:			
Earnings per share - basic	3	0.28p	0.29p
Earnings per share – diluted	3	0.26p	0.28p
Dividends paid per share	4	0.10p	0.09p

Group Statement of Comprehensive Income
Year Ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the year	313	331
Other comprehensive income		
Items that may subsequently be reclassified to profit and loss		
Foreign currency translation differences	(32)	200
Other comprehensive income for the year, net of tax	(32)	200
Total comprehensive income for the year	281	531

Group Statement of Financial Position
as at 31 December 2017

	2017 £'000	2016 £'000
Non-current assets		
Goodwill	1,660	1,660
Other intangible assets	688	482
Investments	-	-
Plant and equipment	12	18
Deferred tax asset	50	50
	2,410	2,210
Current assets		
Trade and other receivables	170	390
Income tax asset	54	59
Cash and cash equivalents	1,621	1,466
	1,845	1,915
Total assets	4,255	4,125
Current liabilities		
Trade and other payables	504	589
Non-current liabilities		
Other payables	13	9
Total liabilities	517	598
Equity attributable to equity shareholders of the parent company		
Called up share capital	1,139	1,138
Share premium	29	29
Merger reserve	658	658
Retained earnings	1,912	1,702
Total equity	3,738	3,527
Total equity and liabilities	4,255	4,125

Group Statement of Changes in Equity
for the year ended 31 December 2017

Attributable to the equity shareholders of the parent

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	1,124	13	658	1,227	3,022
Comprehensive income					
Profit for the financial year	-	-	-	331	331
Other comprehensive income	-	-	-	200	200
Total comprehensive income	-	-	-	531	531
Transactions with owners					
Share based payment transactions	-	-	-	46	46
Dividends paid	-	-	-	(102)	(102)
Shares issued	14	16	-	-	30
Total transactions with owners	14	16	-	(56)	(26)
Balance at 1 January 2017	1,138	29	658	1,702	3,527
Comprehensive income					
Profit for the financial year	-	-	-	313	313
Other comprehensive income	-	-	-	(32)	(32)
Total comprehensive income	-	-	-	281	281
Transactions with owners					
Share based payment transactions	-	-	-	43	43
Dividend paid	-	-	-	(114)	(114)
Shares issued	1	-	-	-	1
Total transactions with owners	1	-	-	(71)	(70)
Balance at 31 December 2017	1,139	29	658	1,912	3,738

Group Cash Flow Statement
for the year ended 31 December 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Profit before taxation	309		318	
Adjustment for depreciation	12		15	
Adjustment for investment income	(6)		(6)	
Adjustment for foreign exchange differences	8		124	
Adjustment for share-based payments	43		46	
Operating cash flows before movements in working capital	366		497	
Decrease/(increase) in trade and other receivables	220		(187)	
(Decrease)/increase in trade and other payables	(81)		97	
Cash generated from operations		505		407
Tax paid		(50)		(45)
Tax credit received		58		49
Net cash generated from operating activities		513		411
Cash flows from investing activities				
Finance income		6		6
Development costs		(213)		(204)
Purchase of equipment		(6)		(11)
Net cash used in investing activities		(213)		(209)
Cash flows from financing activities				
Dividends paid		(114)		(102)
Issue of ordinary share capital		1		30
Net cash used in financing activities		(113)		(72)
Net increase in cash and cash equivalents		187		130
Cash and cash equivalents at beginning of year		1,466		1,318
Exchange gains on cash and cash equivalents		(32)		18
Cash and cash equivalents at end of year		1,621		1,466

Notes to the preliminary financial results

1. The figures for the years ended 31 December 2017 and 2016 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the year ended 31 December 2017 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 2016 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 498(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 14 March 2018 and authorised for issue on 15 March 2018.

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 2017 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. Earnings per Share. Earnings per share is based on the profit for the year after tax of £313,000 (2016: £331,000), and the weighted average number of ordinary shares in issue during the year of 113,854,048 (2016: 112,846,662). The fully diluted earnings per share takes account of outstanding options which results in a weighted average number of shares in issue during the year of 119,241,436 (2016: 118,276,189).

4. DIVIDENDS

Ordinary	2017 £'000	2016 £'000
Final 2016 paid (0.05 pence per share (2015: 0.05 pence per share))	57	56
Interim 2017 paid (0.05 pence per share (2016: 0.04 pence per share))	57	46
	114	102

The directors recommend the payment of a final dividend of 0.05 pence per Ordinary Share (2016: 0.05 pence per share) to be paid on 30 May 2018 to those shareholders on the register on 20 April 2018.

The proposed dividend is not included as a liability in these financial statements as it is subject to shareholders' approval.

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 2017 Annual Report and Accounts will be made available to shareholders in April. Copies may be obtained by contacting the Company Secretary at the registered office. The 2017 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 the offices of RSM UK Audit LLP, 25 Farringdon Street, London EC4A 4AB at 11.30am on 23 May 2018.