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Toronto Stock Exchange symbol: RC

## RDM CORPORATION ANNOUNCES THIRD QUARTER RESULTS

*~ Company Continues to Execute on Long-term Growth Strategy ~*

**WATERLOO, ON, August 2, 2005** – RDM Corporation (TSX: RC), a leading developer of specialized software and hardware products for electronic payment processing, today reported its financial results for the three months ended June 30, 2005.

### Financial Summary

- Total revenues for the quarter were \$4.1 million, compared with \$5.4 million for the three months ended June 30, 2004. The 23% decrease was primarily due to disappointing scanner sales in the Digital Imaging segment as Check 21 market adoption continued to be impacted by lengthy bank product rollouts.
- On a percentage basis, gross profits increased to 47% of revenues for the quarter, compared to gross profits of 42% a year earlier, due to a higher percentage of revenues coming from the Company's Electronic Payments Solutions business in the third quarter of fiscal 2005.
- Net earnings were \$88,000 or \$0.00 per share in the third quarter of 2005, compared to \$335,000 or \$0.02 per share the previous year; on a year-to-date basis, net earnings improved to \$133,000 or \$0.01 per share, compared to a net loss of \$157,000 or \$(0.01) per share for the first three quarters of 2004.

### Operating Highlights

- RDM announced the release of the EC7000i series imager. The EC7000 is the industry's first feature rich, low cost, dual sided (front and back of documents simultaneously) document scanner. It is built on the same platform as RDM's industry leading EC6000 and will fill the growing demand in the market created by the adoption of electronic cheque deposit by corporate America.
- Version 2.0 of ITMS, RDM's cheque electrification system, was released. Version 2.0 contains many advanced remittance processing and workflow enhancement features that add even more efficiency and benefits to the inherent advantages of electronic cheque deposit.
- Average ITMS transaction volume for the quarter reached a new high of 415,000 items per week.

“While our revenues for the quarter were disappointing and below our goals, the fundamentals of our business are stronger than ever,” said Douglas Newman, President and CEO of RDM Corporation. “One of our key objectives for the year was to build a solid base of major U.S. banks as users of our ITMS system. We have succeeded in acquiring several additional banks as customers and now have an industry

leading position with 10 major banks utilizing ITMS as their electronic cheque deposit service for their corporate customers. We have several more banks in various stages of negotiation. As all of these banks complete their integration work with RDM and begin to execute on their remote deposit product offering, we expect our ITMS volumes will continue to grow.”

### **Digital Imaging**

The Digital Imaging segment, which encompasses both electronic scanner sales and the ITMS service, recorded revenues of \$1.8 million in the third quarter of 2005, a decrease of \$978,000 or 35% from the prior year. The segment posted an operating loss of \$1.1 million in the quarter, compared to a loss of \$846,000 in the third quarter of 2004.

While ITMS volumes increased 65% over the same quarter last year to an average of 415,000 transactions per week, scanner shipments were 35% below the same period.

Management continues to believe that the Digital Imaging segment represents a very attractive long-term growth opportunity, and RDM has been successful in gaining a foothold in the market by signing up a significant number of financial institution customers as distribution partners. Short-term sales will remain difficult to predict, however, as both ITMS adoption and scanner sales are governed by RDM’s customers’ slower than anticipated rollouts to their corporate clients. Bank product sales cycles can be lengthy, and in the interim RDM continues to explore complementary distribution channels and has also begun targeting end users directly through other Value Added Resellers (VAR’s) to help create pull in the marketplace and encourage the banks to expedite their rollouts by increasing bank customers’ demand.

### **Electronic Payments Solutions**

Electronic Payments Solutions segment revenues were \$1.7 million in the third quarter of 2005, a decrease of \$321,000 or 16% from the previous year. The decrease was primarily due to variations in degrees of progress on custom development projects as compared to the same quarter in 2004 and Management remains confident in the segment’s prospects. The segment’s contribution to operating profits remained very strong at \$1.1 million.

On a year-to-date basis Electronic Payments Solutions revenues are well ahead of the previous year. Management expects that fiscal 2005 revenues for this segment will exceed fiscal 2004 levels, as both the U.S. government and private sector financial institutions continue to engage RDM for their custom development project needs.

### **Quality Assurance**

Quality Assurance segment revenues were \$579,000 in the third quarter, an increase of \$52,000 or 10% over the third quarter of 2004. On a year-to-date basis this segment is performing ahead of the previous year. The Quality Assurance segment contributed \$114,000 to third quarter 2005 operations.

### **Balance Sheet**

At June 30, 2005, RDM had working capital of \$9.8 million, including cash and cash equivalents of \$4.6 million, as compared to working capital of \$9.6 million, including cash and cash equivalents of \$4.5 million at March 31, 2005.

## **Notice of Conference Call Webcast**

RDM will be hosting a conference call to discuss the Company's third quarter financial results on August 3, 2005 at 10:00 a.m. ET, dial in number: 1-800-257-1836, reference number 21132780#. Detailed financial results and MD&A will also be available at [www.sedar.com](http://www.sedar.com) by August 3, 2005. A live audio webcast of the call will be available at [www.rdmcorp.com](http://www.rdmcorp.com). Webcast attendees are welcome to listen to the conference in real-time or at their convenience.

## **About RDM Corporation**

RDM Corporation is headquartered in Waterloo, Ontario and trades on the Toronto Stock Exchange under the symbol RC. RDM is a leading developer of specialized software and hardware products for electronic payment processing. RDM has pioneered electronic cheque conversion systems and web-based image and transaction management services for banks, retailers, payment processors and government agencies. RDM's newest offering is its innovative and proprietary Image and Transaction Management System (ITMS™) whereby transaction information can be remotely captured and processed electronically from distributed locations, freeing up significant customer float time and significantly reducing costs associated with returned cheques. RDM holds an approximate 18% interest (13% on a fully diluted basis) in Xign Corporation, a California based provider of collaborative software for the financial supply chain. For further information, visit RDM's web-site at [www.rdmcorp.com](http://www.rdmcorp.com).

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**RDM CORPORATION**  
**Consolidated Balance Sheets**  
**(Amounts In Canadian Dollars, In Thousands, Except Share and Per Share Amounts)**

	<u>June 30</u> <u>2005</u> <u>(Unaudited)</u>	<u>September 30</u> <u>2004</u> <u>(Audited)</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,607	\$ 4,009
Accounts receivable	2,451	2,329
Inventories	4,375	5,054
Other	225	137
<b>Total current assets</b>	<b>11,658</b>	<b>11,529</b>
Long-term investment	6,379	6,379
Capital assets	2,336	2,286
<b>Total assets</b>	<b>\$ 20,373</b>	<b>\$ 20,194</b>
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,445	\$ 2,788
Deferred revenue	402	681
<b>Total current liabilities</b>	<b>1,847</b>	<b>3,469</b>
Shareholders' equity:		
Share capital	26,689	25,098
Deficit	(8,036)	(8,169)
Share purchase loans	(127)	(204)
<b>Total shareholders' equity</b>	<b>18,526</b>	<b>16,725</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 20,373</b>	<b>\$ 20,194</b>

**RDM CORPORATION**  
**Consolidated Statements of Operations and Deficit**  
**(Amounts in Canadian Dollars, In Thousands, Except Share and Per Share Amounts)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$ 4,133	\$ 5,380	\$ 13,195	\$ 13,253
Cost of revenue	2,182	3,101	7,325	7,988
Gross profit	1,951	2,279	5,870	5,265
Operating expenses:				
Sales and marketing	578	648	1,763	1,885
Research and development	736	808	2,405	2,069
General and administration	326	216	878	822
Depreciation and amortization	250	237	598	482
Stock-based compensation	50	70	180	180
Interest and other	(77)	(35)	(87)	(101)
	1,863	1,944	5,737	5,337
Litigation expenses	88	335	133	(72)
Earnings (loss) from operations	-	-	-	85
Income taxes	88	335	133	(157)
Net earnings (loss)	-	-	-	-
Deficit, beginning of period	88	335	133	(157)
Deficit, end of period	\$ (8,124)	\$ (8,775)	\$ (8,169)	\$ (8,283)
	\$ (8,036)	\$ (8,440)	\$ (8,036)	\$ (8,440)
Earnings (loss) per share – basic	\$ 0.00	\$ 0.02	\$ 0.01	\$ (0.01)
Earnings (loss) per share – diluted	\$ 0.00	\$ 0.02	\$ 0.01	\$ (0.01)

**RDM CORPORATION**  
**Consolidated Statements of Cash Flows**  
**(Amounts in Canadian Dollars, In Thousands, Except Share and Per Share Amounts)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$ 88	\$ 335	\$ 133	\$ (157)
Items not involving cash:				
Depreciation and amortization	250	237	598	482
Change in non-cash operating working capital	(105)	164	(1,077)	(314)
Stock-based compensation	50	70	180	180
Repayment of share purchase loans	8	13	77	13
	291	819	(89)	204
Financing:				
Issuance of share capital, net of issue costs	-	13	1,411	40
Investing:				
Purchase of capital assets	(205)	(332)	(724)	(1,136)
Increase (decrease) in cash	86	500	598	(892)
Cash and cash equivalents, beginning of period	4,521	4,126	4,009	5,518
Cash and cash equivalents, end of period	\$ 4,607	\$ 4,626	\$ 4,607	\$ 4,626