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Toronto Stock Exchange Symbol: RC

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## RDM CORPORATION REPORTS REVENUE GROWTH OF 25% IN SECOND QUARTER

*- Digital Imaging segment grows 57% year-over-year -*

WATERLOO, ON, May 4, 2006 - 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 March 31, 2006.

### Q2 Highlights

- Total revenues grew to \$5.9 million, a 25% increase from \$4.7 million of revenues recorded in the second quarter of fiscal 2005, despite the rise in value of the Canadian dollar compared to the US dollar.
- The Digital Imaging segment, which RDM considers its key long-term growth segment, generated \$3.8 million of revenues, an increase of 57% from Q2 of 2005.
- Gross profit increased 19% to \$2.6 million.
- Net earnings were \$208,000 or \$0.01 per share, compared to \$244,000 or \$0.01 per share in Q2 2005.
- RDM's operations generated \$1.8 million of cash flow in the second quarter, up from \$0.4 million the prior year.
- Transaction volumes for the Company's ITMS<sup>®</sup> service averaged 618,000 items per week during the quarter, from 550,000 items in Q1 2006, and up 49% from 415,000 items in Q2 2005.
- On a year-to-date basis, RDM's revenues are up 20% to \$10.9 million in the six-month period, while earnings per share increased \$0.01 to \$0.01.

"I'm very pleased with the successes we achieved in the second quarter. It was another quarter of growth and solid financial results," said Douglas Newman, President and CEO of RDM Corporation. "Both scanner shipments and ITMS transaction volume were up significantly during the quarter and the number of end users of our ITMS services nearly doubled between January 1, 2006 and March 31, 2006. Remote cheque deposit capture, while still in its early days of adoption, has tremendous momentum in the market. I am very optimistic in the continued growth of remote cheque deposit capture as adoption by businesses and locations continues to accelerate."

### Digital Imaging

RDM's Digital Imaging business, comprised of both electronic cheque scanner sales and the ITMS services for remote cheque deposit, generated revenues of \$3.8 million, a year-over-year increase of \$1.4 million or 57%. Digital Imaging represented 65% of total revenues in the quarter, compared to 51% in Q2 2005. The second quarter operating loss for the segment narrowed from \$1.1 million last year to \$0.7 million in 2006. Management expects continued growth in this segment for the balance of this year, as increasing adoption of remote deposit capture services drives demand for both ITMS and scanner sales.

### **Electronic Payments Solutions**

The Electronic Payments Solutions segment, which encompasses custom development projects for government and financial institution customers, generated \$1.6 million of revenue, a decrease of 10% from the previous year. The segment contributed \$865,000 of operating profits in the second quarter. Year-to-date, Electronic Payments Solutions revenues have grown from to \$2.9 million in 2006, from \$2.8 million last year. Management expects segment revenues to be strong for the remainder of the fiscal year.

Management believes that Electronic Payments Solutions and Digital Imaging results should be viewed in tandem when evaluating overall Company performance. The combined operating profit contribution from the two segments was \$185,000 in Q2 2006, up from \$154,000 a year earlier.

### **Quality Assurance**

The Quality Assurance segment, comprised of quality control products sold to commercial cheque printers and processors, generated revenues of \$502,000 in the second quarter of 2006, a decrease of \$35,000 from the previous year. Results were in line with management expectations of segment revenues averaging \$500,000 each quarter. Quality Assurance contributed \$70,000 of operating earnings.

### **Balance Sheet**

RDM had working capital of \$11.3 million at March 31, 2006, including \$6.3 million of cash and equivalents, as compared to \$9.6 million of working capital and \$4.5 million of cash and equivalents at December 31, 2005. The Company remains free of long-term debt, and was not drawing on its \$1.0 million operating credit facility at March 31, 2006.

### **Notice of Conference Call Webcast**

RDM will be hosting a conference call to discuss the Company's second quarter financial results on May 5, 2006 at 9:00 a.m. ET. Dial-in numbers are: 1-866-250-2351 or 416-644-3428, reference number 21188239#. Detailed financial results and MD&A will also be available at [www.sedar.com](http://www.sedar.com) by May 5, 2006. 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 Image & Transaction Management System (ITMS) is an industry leading e-cheque processing solution 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 checks. 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 website 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>March 31</u> <u>2006</u> <u>(Unaudited</u> <u>)</u>	<u>September 30</u> <u>2005</u> <u>(Audited)</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 6,305	\$ 5,466
Accounts receivable	4,543	3,396
Inventories	3,056	3,971
Other	167	168
<b>Total current assets</b>	<b>14,071</b>	<b>13,001</b>
Long-term investment	6,379	6,379
Capital assets	2,098	2,304
<b>Total assets</b>	<b>\$ 22,548</b>	<b>\$ 21,684</b>
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,198	\$ 1,972
Deferred revenue	596	529
<b>Total current liabilities</b>	<b>2,794</b>	<b>2,501</b>
Shareholders' equity:		
Share capital	26,345	26,135
Contributed surplus	701	575
Deficit	(7,213)	(7,412)
Share purchase loans	(79)	(115)
<b>Total shareholders' equity</b>	<b>19,754</b>	<b>19,183</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 22,548</b>	<b>\$ 21,684</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>Six Months Ended</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue	\$ 5,897	\$ 4,718	\$ 10,907	\$ 9,062
Cost of revenue	3,278	2,522	6,330	5,143
Gross profit	2,619	2,196	4,577	3,919
Operating expenses:				
Sales and marketing	636	615	1,260	1,185
Research and development	1,021	791	1,854	1,669
General and administration	518	324	795	552
Depreciation and amortization	221	199	434	348
Stock-based compensation	66	50	116	130
Interest and other	(51)	(27)	(80)	(10)
	2,411	1,952	4,379	3,874
Earnings from operations	208	244	198	45
Income taxes	-	-	-	-
Net earnings	208	244	198	45
Deficit, beginning of period	\$ (7,422)	\$ (8,368)	\$ (7,412)	\$ (8,169)
Deficit, end of period	\$ (7,214)	\$ (8,124)	\$ (7,214)	\$ (8,124)
Earnings per share – basic	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.00
Earnings per share – diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.00

**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>Six Months Ended</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash provided by (used in):				
Operations:				
Net earnings	\$ 208	\$ 244	\$ 198	\$ 45
Items not involving cash:				
Depreciation and amortization	221	199	434	348
Change in non-cash operating working capital	1,288	(51)	73	(972)
Stock-based compensation	66	50	116	130
	1,783	442	821	(449)
Financing:				
Issuance of share capital, net of issue costs	190	36	210	1,411
Repayment of share purchase loans	25	68	36	69
Investing:				
Purchase of capital assets	(98)	(335)	(228)	(519)
Increase in cash	1,900	211	839	512
Cash and cash equivalents, beginning of period	4,405	4,310	5,466	4,009
Cash and cash equivalents, end of period	\$ 6,305	\$ 4,521	\$ 6,305	\$ 4,521