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Toronto Stock Exchange Symbol: RC

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## RDM CORPORATION ANNOUNCES 50% REVENUE GROWTH IN THIRD QUARTER OF 2006

*- Digital Imaging business more than doubles over prior year -*

WATERLOO, ON, July 28, 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 June 30, 2006.

### Q3 Highlights

- Total revenues grew to \$6.2 million, a 50% increase from \$4.1 million in the third quarter of fiscal 2005.
- The Digital Imaging segment, comprised of both electronic cheque scanner sales and the ITMS<sup>®</sup> services for remote cheque deposit, generated \$4.2 million of revenues, an increase of 126% from a year earlier. The year-over-year growth rate was magnified by an unusually slow third quarter in 2005.
- Gross profit grew 23% from \$2.0 million in Q3 2005 to \$2.4 million.
- Net earnings were \$236,000 or \$0.01 per share, up from \$88,000 or \$0.00 per share in the third quarter of 2005, despite a rise in value of the Canadian dollar compared to the US dollar.
- Transaction volumes for RDM's ITMS<sup>®</sup> service averaged 689,000 items per week in the quarter, up 11% from 618,000 items in Q2 2006, and up 66% from 415,000 items in Q3 2005.
- Year-to-date, RDM's revenues have grown 30% to \$17.1 million in the nine-month period, while earnings per share have increased by \$0.01 to \$0.02.

"The very strong growth we achieved in the third quarter provides further evidence of the accelerating rate of adoption of remote deposit capture technology," said Douglas Newman, President and CEO of RDM Corporation. "Once again we had a significant increase in both scanner shipments and ITMS transaction volumes. Other leading indicators of growth were also positive in the quarter. We signed several new banks as ITMS partners, and the number of ITMS end users grew by almost 50%. Based on the current activity in our sales pipeline, we expect our growth momentum to continue into fiscal 2007."

### Digital Imaging

The Digital Imaging segment generated revenues of \$4.2 million, representing a year-over-year increase of \$2.3 million or 126%. Digital Imaging comprised 67% of total revenues in the quarter, compared to 45% a year earlier. The third quarter operating loss for the segment was reduced from \$1.1 million last year to \$0.4 million in 2006. The Company continues to invest in ITMS to build a growing recurring revenue base. Increasing adoption of remote deposit capture services by US businesses is fueling demand for both ITMS and scanner sales.

The Company is planning a general customer release of ITMS WebClient in August 2006, the first browser-based version of its cheque processing service. ITMS WebClient is a comprehensive cheque electronification solution that is easier to implement, install and maintain. ITMS WebClient also

increases productivity and efficiency by enabling different tasks to be performed across multiple workstations.

### **Electronic Payments Solutions**

The Electronic Payments Solutions segment, which encompasses custom development projects for US government and financial institution customers, generated \$1.5 million of revenue, representing a decrease of 15% from the third quarter of 2005. The segment contributed \$594,000 of operating profits in the third quarter. On a year-to-date basis, Electronic Payments Solutions revenues have decreased to \$4.4 million in 2006, from \$4.5 million in the prior year.

Management believes that Electronic Payments Solutions and Digital Imaging results should be viewed in conjunction when evaluating overall Company performance. The combined operating profit contribution from the two segments was \$226,000 in Q3 2006, compared to a loss of \$27,000 a year earlier.

### **Quality Assurance**

The Quality Assurance segment, comprised of quality control products sold to commercial cheque printers and processors, generated revenues of \$576,000 in Q3 2006, a decrease of \$3,000 from the previous year. Results were consistent with management expectations of segment revenues. Quality Assurance contributed \$182,000 of operating earnings in the quarter.

### **Balance Sheet and Cash Flow**

RDM had a working capital balance of \$11.7 million at June 30, 2006, including \$4.3 million of cash and equivalents, as compared to \$11.3 million of working capital and \$6.3 million of cash and equivalents at March 31, 2006. Operating activities utilized \$1.9 million of cash in the second quarter, compared to \$0.3 million provided the prior year. The most significant use of cash was the funding of accounts receivable, which increased during the quarter due to both higher sales volume and the timing of collections from several major customers. The Company remains free of long-term debt, and was not drawing on its \$1.0 million operating credit facility at June 30, 2006.

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

RDM will be hosting a conference call to discuss the Company's third quarter financial results on July 28, 2006 at 9:00 a.m. EDT. Dial-in numbers are 1-800-814-4890 or 416-644-3417. Detailed financial results and MD&A will also be available at [www.sedar.com](http://www.sedar.com) by July 31, 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)

	June 30 2006 <u>(Unaudited)</u>	September 30 2005 <u>(Audited)</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,312	\$ 5,466
Accounts receivable	6,981	3,396
Inventories	3,360	3,971
Other	312	168
Total current assets	14,965	13,001
Long-term investment	6,379	6,379
Capital assets	2,004	2,304
Total assets	\$ 23,348	\$ 21,684
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,701	\$ 1,972
Deferred revenue	565	529
Total current liabilities	3,266	2,501
Shareholders' equity:		
Share capital	26,345	26,135
Contributed surplus	771	575
Deficit	(6,977)	(7,412)
Share purchase loans	(57)	(115)
Total shareholders' equity	20,082	19,183
Total liabilities and shareholders' equity	\$ 23,348	\$ 21,684

**RDM CORPORATION**  
**Consolidated Statements of Operations and Deficit**

(Amounts In Canadian Dollars, In Thousands, Except Share and Per Share Amounts)

	Three Months Ended June 30		Nine Months Ended June 30	
	2006	2005	2006	2005
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue	\$ 6,187	\$ 4,133	\$ 17,095	\$ 13,195
Cost of revenue	3,785	2,182	10,115	7,325
<b>Gross profit</b>	<b>2,402</b>	<b>1,951</b>	<b>6,980</b>	<b>5,870</b>
Operating expenses:				
Sales and marketing	746	578	2,006	1,763
Research and development	736	736	2,590	2,405
General and administration	284	326	1,078	878
Depreciation and amortization	253	250	687	598
Stock-based compensation	70	50	186	180
Interest and other	77	(77)	(2)	(87)
	<b>2,166</b>	<b>1,863</b>	<b>6,545</b>	<b>5,737</b>
Earnings from operations	236	88	435	133
Income taxes	-	-	-	-
<b>Net earnings</b>	<b>236</b>	<b>88</b>	<b>435</b>	<b>133</b>
Deficit, beginning of period	\$ (7,213)	\$ (8,124)	\$ (7,412)	\$ (8,169)
Deficit, end of period	\$ (6,977)	\$ (8,036)	\$ (6,977)	\$ (8,036)
Earnings per share – basic	\$0.01	\$0.00	\$0.02	\$0.01
Earnings per share – diluted	\$0.01	\$0.00	\$0.02	\$0.01

**RDM CORPORATION**  
**Consolidated Statements of Cash Flow**

(Amounts in Canadian Dollars, In Thousands, Except Share and Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash provided by (used in):				
Operations:				
Net earnings	\$ 236	\$ 88	\$ 435	\$ 133
Items not involving cash:				
Depreciation and amortization	253	250	687	598
Change in non-cash operating working capital	(2,415)	(105)	(2,343)	(1,077)
Stock-based compensation	70	50	186	180
	(1,856)	283	(1,035)	(166)
Financing:				
Issuance of share capital, net of issue costs	-	-	210	1,411
Repayment of share purchase loans	22	8	58	77
	22	8	268	1,488
Investing:				
Purchase of capital assets	(159)	(205)	(387)	(724)
Increase (Decrease) in cash	(1,993)	86	(1,154)	598
Cash and cash equivalents, beginning of period	6,305	4,521	5,466	4,009
Cash and cash equivalents, end of period	\$ 4,312	\$ 4,607	\$ 4,312	\$ 4,607