

**Webtech Wireless Announces Q2 2011 Results**

**VANCOUVER, BRITISH COLUMBIA – August 15, 2011 – Webtech Wireless Inc.** (TSX: WEW, “Webtech” or the “Company”), a leading provider of vehicle fleet location-based services and telematics technology, today announced its financial results for the three and six-month period ended June 30, 2011.

**Q2 Financial and Operational Highlights**

- Total revenue increased 2% to \$9.8 million in Q2 2011 compared to \$9.6 million in Q2 2010. On a constant currency basis total revenue increased 8% over the same period. The increase was due to improved performance in all three lines of business – Quadrant®, InterFleet® and NextBus®, partially offset by decreased OEM hardware sales.
- Notable new sales, renewals and implementations during the quarter included the City of Cleveland, CGG Veritas, Mammoet Cranes Eastern Canada, North County (San Diego) Transit District (NCTD), Los Angeles County Metropolitan Transportation Authority (LA Metro), Toronto Transit Commission (TTC), Arctic Slope Regional Corporation (ASRC), Cummins Canada, JS Chow Trucking, Ceva Canada, Chaparral Energy, and Canadian Freightways.
- Recurring revenue decreased 1% to \$5.2 million or 53% of total revenue compared to \$5.3 million or 55% of total revenue for Q2 2010. On a constant currency basis recurring revenue increased 4% over the same period. Constant currency recurring revenue increased due to the increased subscribers particularly at NextBus, partially offset by the conversion of subscriber customers to enterprise licenses in late 2010.
- Subscribers at June 30, 2011 totalled approximately 98,500 (combined direct and enterprise), compared to 87,000 at March 31, 2011.
- Gross margin increased to 59% of total revenue from 53% in Q2 2010 due to higher margin OEM sales and the impact of certain adjustments from the prior quarter discussed below.
- Operating expenses (sales and marketing, research and development, and general and administration excluding one-time items) declined 13% to \$5.2 million in Q2 2011 from \$6.0 million in Q2 2010. This decrease was the direct result of the restructuring efforts undertaken.
- Adjusted EBITDA was \$0.6 million in Q2 2011 of which two-thirds resulted from the inventory undervaluation discussed below compared to a loss of \$0.9 million in Q2 2010.
- The restructuring of operations which commenced in Q4 2010 has been completed, resulting in charges in this quarter of \$0.7 million.
- As part of its ongoing review of all significant operations and processes, the Company determined that there was a calculation error that undervalued its inventory on hand in prior years and at December 31, 2010 by the net amount of \$1.3 million. In addition, deferred revenue and accrued liabilities were understated. As a result, 2010 comparative figures presented in the June 30, 2011 Consolidated Condensed Interim Financial Statements have been restated. These adjustments did not have any impact on the Company’s cash or financial position.

“We are encouraged by our second quarter results. Revenue growth, combined with significant ongoing cost reductions resulted in positive Adjusted EBITDA in the quarter. Based on our current revenue pipeline, we are cautiously optimistic for the remainder of the year,” said Scott Edmonds, President and Chief Executive Officer. “While progress has been made, considerable work remains to be done. For the rest of 2011 and moving forward, we are focused on our highest margin verticals which produce a more attractive hardware margin as well as a two or three year subscription contract and where we have a sustainable competitive advantage thanks to our depth of offering – these being Transport and Oil and Gas for Quadrant, Winter Maintenance and EMS for Interfleet and Predictive Arrival for Transit at NextBus. The restructuring and integration is proceeding as planned and we are working to achieve our

cost reduction targets by Q4 of 2011. We believe that these reductions and increased focus on vertical markets where Webtech is winning will assist us to achieve sustainable levels of ongoing profitability.”

### **Financial Highlights**

('000 of Cdn \$)	For the three months ended		For the six months ended	
	Q2 2011	Q2 2010	Q2 2011	Q2 2010
Hardware revenue	\$ 3,297	\$ 3,642	\$ 6,437	\$ 7,897
Recurring revenue	5,212	5,274	10,392	10,622
Services and other revenue	1,333	691	2,345	1,550
	<b>9,842</b>	<b>9,607</b>	<b>19,174</b>	<b>20,069</b>
Gross margin (\$)	<b>5,794</b>	<b>5,099</b>	<b>10,538</b>	<b>10,792</b>
Gross margin (%)	59%	53%	55%	54%
Restructuring costs	669	334	4,709	1,795
Total operating expense	5,865	7,662	12,771	14,734
Net income (loss) for the period	\$ <b>(739)</b>	\$ <b>(2,194)</b>	\$ <b>(7,002)</b>	\$ <b>(5,767)</b>
<b>Adjusted EBITDA</b>	\$ <b>622</b>	\$ <b>(907)</b>	\$ <b>(619)</b>	\$ <b>(984)</b>

### **Revenue**

The increase in revenue in the quarter over the prior year comes from a focus on higher priced, higher margin sales at the expense of reduced reseller/OEM sales of hardware only. Service revenue related to the Company's Quadrant business increased due to engagements with a large customer and an important channel partner. Recurring revenue related to the Company's NextBus product has also had strong growth in the quarter. Year to date revenue declined marginally due to this shift in focus away from hardware OEM sales towards higher margin recurring revenue streams in Webtech's core market verticals and due to currency effect.

Recurring revenue as a percentage of total revenue was 53% for the quarter compared to 55% in Q2 2010 and was 54% year to date compared to 53% in the prior year. The Company grew its subscriber base particularly in its NextBus business and in the insurance/theft-recovery vertical as result of a large new NextBus customer and hardware sales in prior periods. The subscriptions to the Quadrant and Interfleet web portal reporting solutions also grew in all geographic segments. This shift away from hardware to a majority of subscription, software and services revenue reflects management's focus on developing the Software as a Service ("SaaS") model and is expected to continue.

## **Gross Margin**

In the quarter, gross margins were affected by a combination of factors both positive and negative which ultimately lead to an improvement in reported margins. Improvements came from a significant drop in cost of sales resulting from the shift away from in-house manufacturing as well as other costs savings related to the restructuring program. In addition, cost of sales was reduced in the quarter due to the impact of adjustments related to the inventory undervaluation issue discussed below which were required to correctly reflect the year to date gross profit. The impact of this adjustment improved gross margins from 55% to 59%. These improvements were offset by the warranty provisions related to Interfleet hardware taken in both the first and second quarter and by the strength of the Canadian dollar relative to the US dollar, as 61% of revenue is denominated in US dollars and the majority of costs are incurred in Canadian dollars.

## **Operating Expenses**

Operating expenses in Q2 2011, which include non-cash charges for amortization of intangibles, stock based compensation and one time charges related to intellectual property litigation, decreased by 23% over the prior period. This decrease resulted from restructuring efforts in early 2011.

## **Restatement of Prior Period Comparative Figures**

As part of an ongoing review of operations, Management determined that in prior periods the Company's consolidation process resulted in certain accounts requiring adjustment. Management has determined that the adjustments required are not material to the prior period financial statements and management discussion and analysis, but have made the determination that the prior period comparatives presented in the current financial statements should be restated. As a result, prior period comparative figures as at and for the three and six-month periods ended June 30, 2010, and as at and for the year ended December 31, 2010 were restated. Prior period financial statements and management discussion and analysis will not be restated, amended or re-filed. The items restated are as follows:

1. Inventory was understated and losses overstated from 2007 to 2010. This issue arose due to an internal calculation matter. The cumulative effect resulted in inventory being understated at December 31, 2010 by \$1.3 million, the 2010 net loss being overstated by \$0.8 million and opening deficit being overstated by \$0.5 million. For the comparative quarter ended June 30, 2010, the impact was that inventory was understated by \$0.6 million and net loss was overstated by \$0.1 million. An adjustment of \$0.4 million also was made in the current quarter to decrease cost of sales and net loss. This adjustment corrects the impact of this matter in 2011. There is no impact on the year to date results for the six-months ended June 30, 2011.
2. A purchase price adjustment to reduce deferred revenue that arose on the acquisition of Interfleet Inc. (formerly Grey Island Systems) was taken in one period and it has since been determined that it should have been amortized. Deferred revenue was understated at December 31, 2010 by \$0.3 million, 2010 net loss was understated by \$0.2 million, and 2010 opening deficit was understated by \$82,000. For the comparative quarter ended June 30, 2010, the impact was that deferred revenue was understated by \$0.2 million and the net loss was understated by \$52,000. In addition, an adjustment of \$14,000 was made in the current quarter to decrease net loss to reverse the impact of this matter in 2011. There is no impact on the year to date results for the six-months ended June 30, 2011.
3. The Company carried a balance in accrued liabilities as an offset to its warranty reserve due to intercompany sales. This offset is no longer required, and as a result the warranty reserve at December 31, 2009 was understated by \$0.2 million and 2009 deficit was understated by \$0.2 million. For the comparative quarter ended June 30, 2010, the impact was that accrued liabilities were understated by \$0.2 million. There is no impact on 2011 net loss.
4. The aggregate impact of these adjustments was to decrease the loss for the comparative period ending December 31, 2010 by \$0.6 million. The current quarter income was increased by \$0.4

million to reflect the impact of this matter in 2011. There is no impact on the year to date results for the six-months ended June 30, 2011.

### **Restructuring Charges**

In December 2010, as part of its Interfleet integration strategy, the Company began a restructuring program. This restructuring resulted in costs of \$4.0 million related to staff, facilities, restructuring of the Company's Board of Directors, and other cost reductions in Q1 2011. This program continued in the second quarter and a further \$0.7 million of charges were recorded of which \$0.2 million is cash and \$0.5 million is non-cash and relates to the write off of inventory that is no longer useful as a result of the revision of the Interfleet product roadmap and outsourcing of manufacturing. The current period cash charges were largely paid out in Q3 2011. The restructuring and related operational charges were required to accelerate the further integration of the Company's two telematics brands, Quadrant and Interfleet, particularly in the operational areas of research and development, purchasing, inventory management and manufacturing. Led by Larry Juba, Webtech's Chief Operating Officer, the Company expects a number of technology and operational synergies, cost reductions and quality improvements in 2011 and beyond as a result of these changes.

### **Adjusted EBITDA<sup>(1)</sup>**

The Adjusted EBITDA profit for the quarter was \$0.6 million in Q2 2011 compared to Adjusted EBITDA loss of \$0.9 million in Q2 2010.

**Results on a non-GAAP EBITDA basis are determined as follows:**

('000 of Cdn \$)	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Net income (loss) as reported	\$ (739)	\$ (2,194)	\$ (7,002)	\$ (5,767)
Add (deduct)				
Depreciation and amortization	542	831	1,065	1,665
Interest and other expenses (income)	4	13	38	4
Loss on sale of assets	25	-	25	-
Stock based compensation	151	493	296	961
Tax recovery	(131)	(211)	(261)	(421)
Foreign exchange (gain) loss	101	(505)	258	447
Restructuring cost including stock based compensation	669	334	4,709	1,795
Intellectual property litigation	-	332	253	332
<b>Adjusted EBITDA (Loss)<sup>(1)</sup></b>	<b>\$ 622</b>	<b>\$ (907)</b>	<b>\$ (619)</b>	<b>\$ (984)</b>

### **Adjusted EBITDA**

(1) Adjusted EBITDA is not defined under IFRS and is therefore not universally defined. Adjusted EBITDA is defined by the Company as net loss before interest, tax, depreciation, amortization, stock based compensation, foreign exchange loss on operations, restructuring charges, and one-time expenses.

### **Non-GAAP Financial Measures**

In addition to the results reported in accordance with IFRS, the Company uses various non-GAAP financial measures, which are not recognized under IFRS, as supplemental indicators of the Company's operating performance and financial position. These non-GAAP financial measures are provided to enhance the user's understanding of the Company's historical and current financial performance and its prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of the Company's core operating results and ongoing operations and provide a more consistent basis for comparison between quarters. Details of such non-GAAP financial measures and how they are derived are provided in conjunction with the discussion of the financial information reported.

### **Cash and Working Capital**

As at June 30, 2011, the Company's unrestricted cash position amounted to \$4.0 million, which consisted of cash, cash equivalents and short-term investments, compared with \$4.0 million at December 31, 2010.

As at June 30, 2011, the Company had net working capital of \$11.1 million, compared with \$11.8 million at December 31, 2010. The Company has historically invested in product and market development and as a result had negative cash flows but has recently taken a number of steps to improve its ability to generate cash from operations. The Company decreased accounts receivable due to several large sales which were recorded in December and were collected in the period. The Company also completed a \$6.0 million financing on March 1, 2011, the proceeds of which were used for working capital and general corporate needs.

As at August 10, 2011 Webtech had 105,424,265 common shares outstanding.

### **IFRS Changes**

The Company adopted International Financial Reporting Standards ("IFRS") during the the first quarter of 2011, and accordingly, restated all 2010 comparables figures to conform with IFRS. A number of changes in the financial information previously reported under Canadian GAAP resulted from this process as detailed in Note 22 of the Condensed Consolidated Interim Financial Statements.

### **Financial Statements and Management Discussion & Analysis**

The Condensed Consolidated Interim Financial Statements for the three and six-months ended June 30, 2011 and the related Management Discussion & Analysis for the period has been filed on SEDAR at [www.sedar.com](http://www.sedar.com), and also on the Company's website at [www.webtechwireless.com](http://www.webtechwireless.com).

### **Notice of Conference Call**

Webtech Wireless will hold a conference call today, August 15, 2011, 11:00am. ET hosted by Mr. Scott Edmonds, President and Chief Executive Officer and Mr. Andrew Morden, Chief Financial Officer to discuss the Company's financial results and corporate developments. To access the conference call by telephone, dial +1.416.340.8530 or +1.877.240.9772. A taped replay of the conference call will be archived on the Company's corporate website at: [www.webtechwireless.com](http://www.webtechwireless.com).

## **About Webtech Wireless®**

Webtech Wireless Inc. (TSX:WEW) is a provider of vehicle fleet location-based services (LBS) and telematics technology. It develops, manufactures and supports end-to-end wireless solutions that improve the productivity, profitability, environmental compliance and safety of vehicle fleets. Its comprehensive suite of products and services include: automatic vehicle location (AVL), mapping, vehicle diagnostics, CO<sub>2</sub> reporting, navigation, messaging, and mobile resource management. The Company serves customers of all sizes in the transport, government, service, insurance and OEM markets in over forty-one countries. Specialized products include: *Quadrant*® commercial fleet solutions, *InterFleet*® solutions for government, and *NextBus*® real-time passenger information services for transit fleets. For more information, please visit [www.webtechwireless.com](http://www.webtechwireless.com).

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