



# News Release

## WELLPOINT SYSTEMS REPORTS 2008 THIRD QUARTER RESULTS

**CALGARY, Alberta – December 1, 2008** – WellPoint Systems Inc., (“WellPoint” or the “Company”) (TSX-V:WPS), a leading provider of software and related solutions to the energy industry, today announced its financial results for the quarter and nine months ended September 30, 2008. All monetary values are in Canadian dollars unless otherwise indicated.

### Third Quarter Highlights

- Increased total revenue by 16% to \$7.8 million, compared with \$6.7 million in the third quarter of 2007;
- Increased non-Canadian revenue by \$1.5 million to \$6.0 million from \$4.5 million in the third quarter of 2007. This was primarily due to the Bolo acquisition in August 2007;
- Ranked among the Deloitte Technology Fast 50, a ranking of the 50 fastest growing technology companies in Canada, based on the percentage of revenue growth over five years. WellPoint's increase in revenues of 696% from 2003 to 2007 resulted in a 28<sup>th</sup> place ranking;
- Implemented and went live with Energy Broker at an international keystone crude oil marketing client;
- Completed several major implementation projects for the Company's Microsoft Dynamics AX products and Bolo products at key customer sites in Calgary and Houston; and
- Restructured the operations of the Company to generate annual cost reductions of \$3.0 - \$4.0 million. The Company consolidated its R&D development center in Calgary with its head office to leverage synergies between product management, marketing, consulting and product development. The Company anticipates strong demand for its AX platform-based products and bringing these groups together will allow WellPoint to respond with greater speed to customer requirements.

“The third quarter has been one of great change for the Company, including the appointment of a new management team, an organizational restructuring that has eliminated significant cost, and a renewed focus on our core markets,” said Mr. Frank Stanford, Chief Executive Officer of WellPoint Systems. “The Company is continuing to invest in developing and delivering a completely integrated back office solution designed to help oil & gas and mining companies manage their businesses better. The Company is committed to delivering growth and profitability to our shareholders. We believe that our results in future quarters will represent this renewed commitment.”

### Financial Review

Revenues increased by 16% to \$7.8 million in the third quarter of 2008 compared with \$6.7 million in the same quarter in 2007. The increase was primarily the result of BOLO revenue of \$4.0 million in the third quarter of 2008. Revenue from outside of Canada increased to \$6.0



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million in the third quarter of 2008 from \$4.5 million in 2007. This was primarily due to growth in US revenue following the 2007 acquisition of BOLO.

License revenue decreased to \$1.4 million from \$1.8 million in 2007. The decrease is due to a slower than anticipated sales in the summer and a pullback by customers in September due to the US credit crisis. Maintenance revenue grew to \$2.5 million in 2008 from \$1.7 million in 2007, an increase of 45%, with \$0.7 million of the increase attributed to BOLO. WellPoint now provides maintenance to 431 customers worldwide and continues to achieve maintenance and support customer retention rates of approximately 98%. Revenue from professional services increased to \$4.0 million from \$3.3 million in 2007, an increase of 21%. This increase in professional services revenue is attributed entirely to Bolo.

Gross profit was \$4.0 million (50.5% of total revenue) compared with \$3.8 million (57.0% of total revenue) for the third quarter of 2007. The 6.5% decrease in gross profit margin is attributed to a revenue mix related to increased sales in lower margin professional services and decrease in higher margin license sales in the third quarter of 2008 compared with the third quarter of 2007.

Sales, general and administrative expenses increased to \$3.9 million (50.3% of revenue) compared with \$2.3 million (33.4% of revenue) in the third quarter of 2007. The primarily relates to higher administrative costs due to the inclusion of the Bolo business and a restructuring charge of \$0.9 million in the third quarter of 2008. The Company performed a thorough review of its sales, general and administrative expenses with a goal to significantly reduce these costs. Management anticipates a savings of approximately \$3.0 - \$4.0 million annually after all cost reductions are implemented.

Facilities expenses increased to \$0.43 million compared with \$0.36 million in the third quarter of 2007. The increase primarily relates to the 2007 Bolo acquisition.

In the third quarter of 2008, the Company incurred research and development expenses of \$1.7 million (21% of revenue) compared with \$0.4 million (7% of revenue) for the comparable period in 2007. The increase is primarily related to the research in connection with ongoing projects undertaken by the companies acquired in 2007. When combined with development expenditures capitalized in the third quarter, the Company invested \$2.0 million (26% of revenue) compared with \$1.3 million (20% of revenue) in the third quarter of 2007. The \$0.7 million increase is primarily attributable to investments in WellPoint Energy Broker including its integration with the WellPoint Energy Financial Management system, enhanced multicurrency functionality and additional investments made by the companies acquired in 2007, including investments in WellPoint EAM.

WellPoint Systems is committed to enhancing its position as a leading provider of software and related solutions within the energy and mining industries. The Company will increase its



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investment in the development of new and innovative products utilizing the Microsoft AX Dynamics architecture. This investment is a fundamental requirement as WellPoint Systems completes its transition to a product-focused company.

The Company also wrote-off \$4.2 million of deferred development costs relating to projects that no longer met the criteria for deferral.

Depreciation and amortization expenses increased to \$1.1 million compared with \$0.7 million for the third quarter of 2007. The increase primarily relates to the acquisitions completed in 2007 and the commencement of amortization of deferred development costs in connection with WellPoint Energy Broker introduced in 2007.

Interest expenses increased to \$1.0 million as compared with \$0.6 million for the third quarter of 2007. The increase primarily stems from the new financings in 2007 related to the BOLO and iSoft acquisitions. As at September 30, 2008, the Company had notes payable and convertible debt with a carrying value of approximately \$29.3 million with an effective annual interest rate of approximately 17.1%.

Most of the Company's businesses are organized geographically so that many expenses are incurred in the same currency as the revenue generated, which mitigates some exposure to currency fluctuations. Following the acquisition of BOLO in 2007, the Company significantly increased its net liabilities denominated in United States dollars in connection with notes payable issued in connection with the acquisition. The Company has not entered into any forward hedging contracts and therefore may experience gains and losses relating to foreign exchange. The loss for the three months ended September 30 is \$0.7 million (2007 – \$1.1 million gain).

For the third quarter of 2008 the tax recovery was \$0.3 million compared to a tax expense of \$0.1 million in the same period of the prior year. The tax expense is primarily as a result of the Company's profits in the US.

Due to the factors discussed above, the net loss for the third quarter of 2008 was \$9.0 million compared with net income of \$0.2 million for the third quarter of 2007. Basic and diluted net loss per share was (\$0.19) compared with earnings per share of \$0.01 for the third quarter of 2007.

Adjusted EBITDA loss was \$2.3 million compared with Adjusted EBITDA of \$nil for the third quarter of 2007. The adjusted EBITDA loss was the result of the loss from operations which includes a significant investment with the ongoing development of the Dynamics AX product line and a \$0.9 million onetime restructuring charge.



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## Outlook

During 2008, the Company has invested significant capital and management resources to integrate the BOLO and iSoft acquisitions into WellPoint Systems. In 2009, with the acquisitions now in place, the Company will focus on increasing its net income, adjusted EBITDA, and free cash flow, and expects to advance on many fronts, through the following initiatives:

- Establishing deeper partnerships across the globe, including expanded and new agent relationships in international markets. In 2008, the Company particularly intends to focus its activities on increasing market share and driving revenue from opportunities primarily in the US and South American markets;
- Reducing the cost structure of the Company to improve profitability;
- Increasing sales and marketing of WellPoint Energy Broker in the North and South American markets and WellPoint EAM and WellPoint MRO solutions worldwide;
- Cross-selling the broad range of WellPoint Systems solutions within the existing base of customers;
- Continuing development of the WellPoint EAM, and WellPoint Energy Broker solutions to expand functionality as well as integration with best practices in the computer software industry; and
- Increasing operational efficiencies.

The information contained in this news release is in summary form and should be read in conjunction with the Company's unaudited consolidated financial statements and Management's Discussion and Analysis for the periods ended June 30, 2008 and December 31, 2007. Those documents are available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).

## Notes

<sup>(1)</sup> "EBITDA" is a financial measure that does not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. EBITDA is a measure of the Company's operating profitability. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or how results are taxed in various jurisdictions. EBITDA is calculated for the Consolidated Statements of Earnings and Retained Earnings and is calculated as net earnings plus or minus interest expense, income taxes, depreciation and amortization, foreign exchange gains or losses, capitalized deferred development costs, amortization of debt financing costs and fees expenses on settlement of debt.

<sup>(2)</sup> "Gross Profit" is a financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Gross



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profit is provided to assist investors in determining WellPoint's ability to generate earnings from the sales of its products and services. Gross profit is calculated by subtracting direct expenses from revenue.

## **About WellPoint Systems Inc.**

WellPoint Systems provides premier software and related services for managing critical operations within the energy industry. Aligning tightly with Microsoft Corporation, WellPoint is the only Independent Software Vendor (ISV) and Microsoft Dynamics partner dedicated to the energy sector. It is breaking new ground with the creation of a more comprehensive, integrated energy software suite based on existing Microsoft ERP technology that utilizes state-of-the-art Dynamics AX<sup>®</sup> and .NET architectures. WellPoint became a Microsoft Gold Certified Partner in 2005. Founded in 1997, Calgary-based WellPoint Systems also has major operations in Houston, TX, Denver, CO, Bogota, Colombia and London, England. WellPoint is publicly traded on the TSX Venture Exchange under the symbol WPS.

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This document contains forward-looking statements. Some forward looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "indicates" or similar expressions. The statements are not a guarantee of future performance and are inherently subject to risks and uncertainties. The Company's actual results could differ materially from those currently anticipated due to a number of factors, including, but not limited to, successful integration of structural changes, including restructuring plans, acquisitions, technical or manufacturing or distribution issues, the competitive environment for the Company's products, the degree of market penetration of the Company's products, and other factors set forth in reports and other documents filed by the Company with Canadian securities regulatory authorities from time to time.

**The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.**

# WELLPOINT SYSTEMS INC.

## Consolidated Balance Sheets

	September 30 2008 (Unaudited)	December 31 2007
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 5,096,789	\$ 7,584,610
Prepaid expenses	985,201	273,930
Fair value of foreign exchange risk management contracts	-	176,000
	6,081,990	8,034,540
Property and equipment	1,027,875	1,038,175
Deferred development costs	1,664,916	4,753,447
Intangible assets	14,763,257	16,599,520
Goodwill	23,322,524	19,916,094
	<b>\$46,860,562</b>	<b>\$50,341,776</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$ 4,300,196	\$ 1,204,188
Accounts payable and accrued liabilities	6,108,121	4,841,221
Current income tax liability	601,490	419,231
Deferred revenue	1,812,655	2,144,633
Other deferred credits	54,558	54,558
Current portion of long term notes payable	80,931	15,980,281
Convertible debentures	1,302,030	6,605,733
	14,259,981	31,249,845
Long term notes payable	7,632,261	4,877,299
Other deferred credits	90,931	131,850
Convertible debentures	20,266,389	377,311
Future income tax liability	164,796	422,079
	42,414,358	37,058,384
Shareholders' equity:		
Share capital	14,497,433	14,497,433
Warrants/compensation options	457,246	1,058,050
Contributed surplus	1,566,008	760,828
Convertible debentures	5,788,923	1,222,922
Accumulated other comprehensive loss	(345,780)	(389,856)
Deficit	(17,517,626)	(3,865,985)
	(17,863,406)	(4,255,841)
	4,446,204	13,283,392
	<b>\$46,860,562</b>	<b>\$50,341,776</b>

# WELLPOINT SYSTEMS INC.

Consolidated Statements of Operations and Retained Earnings (deficit) (unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Revenue				
License	\$ 1,411,450	\$ 1,774,648	\$ 7,383,581	\$ 9,146,122
Maintenance	2,459,444	1,697,447	7,157,292	4,344,188
Professional services	3,955,388	3,271,980	13,074,543	7,636,812
	7,826,282	6,744,075	27,615,416	21,127,122
Direct costs	3,873,327	2,899,298	12,216,347	7,105,414
Gross profit	3,952,955	3,844,777	15,399,069	14,021,708
Expenses:				
Sales, general and administrative	3,934,948	2,255,394	11,394,450	8,541,704
Facilities	428,836	362,570	1,327,225	930,497
Research and development	1,674,262	438,603	3,779,848	947,242
Depreciation and amortization	1,121,839	729,944	3,415,999	1,614,965
Financing and amortization of debt and note payable issue costs	136,801	280,749	390,474	335,501
Interest	959,072	607,729	2,821,226	974,200
Foreign exchange loss (gain)	739,007	(1,121,806)	1,038,612	(1,106,268)
Fees and expenses on settlement of long term note payable	-	-	614,505	-
Write down of deferred development costs	4,226,563	-	4,226,563	-
	13,221,328	3,553,183	29,008,902	12,237,841
Net income before income taxes	(9,268,373)	291,594	(13,609,833)	1,783,867
Income taxes				
Current	165,912	-	299,091	-
Future	(479,188)	93,386	(257,283)	758,692
	(313,276)	93,386	41,808	758,692
Net income (loss)	(8,955,097)	198,208	(13,651,641)	1,025,175
Retained earnings (deficit), beginning of period	(8,562,529)	634,800	(3,865,985)	(192,167)
Retained earnings (deficit), end of period	\$ (17,517,626)	\$ 833,008	\$(17,517,626)	\$ 833,008
Net income (loss) per share				
Basic and diluted	\$ (0.19)	\$ 0.01	\$ (0.30)	\$ 0.03