



**For Immediate Release**

## **WELLPOINT SYSTEMS REPORTS RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2010**

**CALGARY, Alberta – August 30, 2010** – WellPoint Systems Inc., (TSX-V:WPS), a leading provider of software and related solutions that transform complex data into Business Insight, today announced its financial results for the quarter and six months ended June 30, 2010. All monetary values are in Canadian dollars unless otherwise indicated.

“The second quarter saw the Company increase sales of specific WellPoint energy solutions over the prior quarter,” said Mr. Richard Slack, President and CEO of WellPoint Systems. “Although our total revenues are down year over year, in part due to lower demand for services resulting from the 2009 economic downturn, license revenues within our core business actually grew 23% in Q2 2010, excluding exchange rate effects and non-recurring sales. During this period management began to deliver connected applications that allow the Company’s products to be sold to its growing installed base as well as the broader market served by other industry standard applications. The Company also took steps to raise its profile in the historically underserved Asia Pacific region, securing representation in key high growth petroleum markets. The second quarter also showed a strengthening in the pipeline which, combined with our investment in a solution selling strategy, leads us to be optimistic about the potential for improved results in the second half of 2010 and beyond.”

### **Financial Summary for the second quarter and six months ended June 30, 2010**

	Qtr 2	Qtr 2	% Change	YTD	YTD	% Change
In Thousands CND\$	2010	2009	2009 - 2010	2010	2009	2009 - 2010
Revenue	6,852	8,734	(21.5%)	13,100	19,117	(31.5%)
Gross Profit	3,917	6,187	(36.7%)	6,722	13,246	(49.3%)
Adjusted EBITDA	605	2,026	(70.1%)	85	4,615	(98.2%)
Net income (loss)	(2,335)	1,559	(249.8%)	(4,472)	1,030	(534.2%)
Adjusted EBITDA per share	0.01	0.04	(75.0%)	0.00	0.10	(100.0%)
Income (loss) per share	(0.05)	0.03	(266.7%)	(0.09)	0.02	(550.0%)

### **Second Quarter 2010 Operational Highlights**

- Excluding exchange rate effects and non-recurring license sales from previous quarter results, Q2 2010 license sales grew by 23%;
- Average deal size trend is positive, growing approximately 30% from beginning of 2009;
- Closed a \$650K sale of the Company’s BOLO product line to a US Independent. Recent sales are expected to drive improved services revenues in the second half of 2010;
- Revised focus from large platform sales to connected applications that may be cross-sold to the Company’s growing installed base;
- Extended the distribution channel into the Asia Pacific market with the appointment of Sales Agent, focused on key energy markets including Indonesia, Malaysia, India and China;
- Attained Certified for Microsoft Dynamics (CFMD) status for WellPoint’s Energy Financial



Management (EFM) product, the highest level of certification Microsoft assigns following rigorous tests and customer references;

- Delivered the Revenue Distribution module extending the EFM product for the US market with functionality to manage AFE tracking, joint interest billing, division of interest, international compliance & revenue distribution;
- Welcomed more than 300 customers to the WellPoint User conferences in Houston and Denver;
- Announced participation in Microsoft Upstream Reference Architecture, joining an ecosystem of leading software vendors and systems integrators in an ongoing collaborative effort to create a common architectural approach to IT for the oil and gas industry;
- Adoption of WellPoint's Intelligent Dashboard into existing and new customers accelerating above plan; and
- Delivered the Transportation module, a major enhancement to the Energy Broker (ENB) product family.

“As a company we continue to deliver both expanded functionality and new products designed to meet the evolving needs of our customers, while actively pursuing certifications from industry leaders like Microsoft, which confirms the utility of our offering,” said Mr. Slack. “A core element of our growth strategy remains developing and refining best-of-breed solutions that serve an increasingly broad range of companies from small independents to majors and national petroleum companies.”

“Our results this quarter reflect the relatively slow pace of the global economic recovery, our shifting sales focus and the early stage of deployment of some of our newer products,” said Mr. Hervé Seguin, Chief Financial Officer of WellPoint Systems. “Our results in the prior year period also included a large sale to our Middle Eastern partner that did not recur in 2010. Excluding this large sale and the effects of exchange rates, total revenues remained relatively flat during this period, impacted primarily by lower service revenues. We continue to work aggressively to manage expenditures, focusing investment on products and areas of the business that will support long term growth. We also continue to actively review options to manage our maturing debt.”

## **Second Quarter Financial Review**

Revenue for the three months ended June 30, 2010 decreased by \$1.9 million to \$6.9 million compared with the same period in 2009. Net loss for the second quarter ended June 30, 2010 was \$2.3 million (basic and fully diluted loss of \$0.05 per share) compared to net income of \$1.6 million for the same period in 2009 (basic and fully diluted earnings per share \$0.03).

License revenues were \$2.2 million for the three months ended June 30, 2010, compared with \$3.2 million during the same period in 2009. Excluding revenues associated with the sale of a \$1.2 million license in the second quarter of 2009, which did not recur in 2010, revenues were \$0.2 million higher than last year. Maintenance revenue decreased in this last quarter to \$2.5 million from \$2.7 million in 2009. Professional services revenue decreased in the second quarter of 2010 to \$2.2 million from \$2.9 million in 2009. The decrease is primarily due to lower than normal services engagements in 2009, resulting from the economic downturn and a related reduction in exploration and production spending. Management expects to see the trend starting to reverse in future quarters. The strengthening Canadian dollar adversely impacted revenue by \$0.6 million in the second quarter of 2010.



Gross profit decreased by nearly \$2.3 million in the second quarter of 2010 compared with the second quarter of 2009, due to the Company's lower revenue with reductions in both higher margin license fees and lower margin professional services revenues.

WellPoint decreased its selling, general and administrative ("SG&A") expenses by \$0.4 million in the second quarter of 2010 compared with the second quarter of 2009, in line with the Company's continued focus on cost optimization. Foreign exchange had a favourable impact of \$0.3 million on SG&A in the second quarter of 2010. Research and development ("R&D") expenses for the second quarter of 2010 decreased by \$0.3 million compared with the same period in 2009. The Company is continuing to invest in research and development projects with the same vigor as in 2009, while focusing on cost optimization. Foreign exchange variations had a favourable impact of \$0.2 million on expenses in the second quarter of 2010.

Adjusted EBITDA decreased by approximately \$1.4 million in the second quarter to \$0.6 million, primarily due to the lower revenues and gross profit, partly offset by decreased spending.

Interest expense remained relatively flat at \$1.6 million in the second quarter of 2010, compared with \$1.5 million in the same period of the prior year, reflecting costs accrued primarily on the notes payable and convertible debt during the quarter.

### **Six Month Financial Review**

Revenues decreased to \$13.1 million from \$19.1 million in the first six months of 2010. Net loss for the first six months of the fiscal year was \$4.5 million (basic and fully diluted loss of \$0.09) compared to net income of \$1.0 million for the same period in 2009 (basic and fully diluted earnings per share of \$0.02).

License revenues were \$4.0 million for the six months ended June 30, 2010, compared with \$6.6 million during the same period in 2009. Excluding revenues associated with the sale of a \$2.4 million license in 2009 which did not recur this year, revenues were \$0.2 million lower than last year, mainly due to slower than expected growth in revenues following the launch of the new Energy Broker product. Maintenance revenue decreased in the first half 2010 to \$5.0 million from \$5.8 million in 2009. Professional services revenue decreased in the first half of 2010 to \$4.1 million from \$6.8 million in 2009. The decrease is primarily due to lower than normal services engagements in 2009 resulting from the economic downturn and a reduction in exploration and production spending. Management expects to see the trend starting to reverse in future quarters. The strengthening Canadian dollar adversely impacted revenue by \$1.2 million in the first half of 2010.

Gross profit decreased by \$6.5 million to \$6.7 million in the first half of 2010 compared with \$13.3 million in the first half of 2009, due to the Company's lower revenue with reductions in both higher margin license fees and lower margin professional services revenues.

For the six months ended June 30, 2010, SG&A expenses were \$3.9 million, a \$1.1 million reduction from expenses of \$5.0 incurred in the first half of 2009. R & D expenses were likewise lower at \$2.2 million compared with \$2.9 million in 2009. The reduction in the Company's spending level is consistent with the continued focus on cost reduction wherever possible. During this first half of 2010,



the Company continued and is continuing to invest in research and development projects with the same vigor as in 2009, while focusing on cost optimization.

Adjusted EBITDA decreased by approximately \$4.5 million during the first half of 2010 to \$0.1 million, primarily due to the lower revenues and gross profit, partly offset by decreased spending.

Interest expense increased to \$3.2 million during the six months ended June 30, 2010, compared with \$2.9 million in the same period of the prior year, reflecting costs accrued primarily on the notes payable, capital leases and convertible debt during the period.

### **Subsequent to Quarter-End**

Subsequent to quarter end, the Company renewed a working capital loan agreement of \$1.5 million with its main banker. The renewed bank line was extended to September 30, 2010, coinciding with certain of the company's debt obligations maturing on October 1, 2010. Under the terms of the renewal, the Company undertook, with the continued support of its senior convertible debt holders, to not make any cash payments to its senior convertible debt holders until at least September 30, 2010, when the loan agreement is due for renegotiation.

The Company continues to work collaboratively with its lender group to renegotiate the maturing debt and seek solutions to meet overdue and future debt servicing obligations, and to promote long term growth of WellPoint.

### **Outlook**

In the first half of 2010 the company continued to develop the infrastructure to drive organic revenue growth, and invested in sales and marketing to promote awareness of the Company's solutions and brand in local North American markets and increasingly in international markets including, the North Sea and Asia Pacific Regions. These investments have resulted in an increase in the distribution channel and pipeline from a broader marketplace that management expects should fuel revenue growth in the second half of the year.

### **Notes**

(1) "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. Adjusted EBITDA is Standardized EBITDA<sup>1</sup>, excluding foreign exchange gains primarily related to the US dollar denominated debt of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of deferred development and intangible costs, goodwill impairment, financing costs, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt and after deducting the annual amount invested in respect of deferred development costs.

(2) "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 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 delivers software solutions and services that transform complex data into Business Insight for over 450 companies in 60 countries worldwide. WellPoint Systems is recognized as a leader in providing Financial, Energy Marketing and Trading solutions to the Oil and Gas industry with its award winning BOLO, IDEAS, Energy Financial Management and Energy Broker products. The company also serves asset intensive industries including aerospace/aviation, process manufacturing, mining, the public sector and fleets with its DAXEAM Asset Maintenance solutions.

Founded in 1997, Calgary-based WellPoint Systems 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.

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# WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets (Unaudited)

(in thousands of dollars)

	June 30 2010	December 31 2009
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 505
Accounts receivable	3,458	3,189
Prepaid expenses	508	333
	3,966	4,026
Property and equipment	848	920
Deferred development costs	1,123	1,386
Intangible assets	9,910	10,999
Goodwill	21,284	21,091
Future income taxes	1,753	1,132
	\$38,884	\$39,554
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Line Of Credit	\$ 524	\$ -
Accounts payable and accrued liabilities	3,959	3,274
Current income tax liability	-	83
Deferred revenue	2,741	2,062
Other deferred credits	51	55
Note Payable	5,518	5,472
Current portion of capital lease obligations	54	61
Convertible debentures	9,542	8,880
	22,389	19,885
Capital lease obligations	76	63
Other deferred credits	-	23
Convertible debentures	18,589	17,658
	41,054	37,629
Shareholders' equity:		
Share capital	14,621	14,621
Contributed surplus	2,144	2,009
Convertible debentures	8,706	8,864
Accumulated other comprehensive income	(488)	(888)
Deficit	(27,153)	(22,681)
	(27,640)	(23,569)
Total shareholders' equity	(2,170)	1,925
Basis of presentation	\$ 38,884	\$ 39,554



# WELLPOINT SYSTEMS INC.

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

(in thousands of dollars, except per share amounts)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenue:				
License	\$ 2,192	\$ 3,157	\$ 3,970	\$ 6,559
Maintenance	2,459	2,661	4,994	5,781
Professional services	2,201	2,916	4,136	6,777
	6,852	8,734	13,100	19,117
Direct costs	2,935	2,547	6,378	5,871
Gross margin	3,917	6,187	6,722	13,246
Expenses:				
Sales, general and administrative	1,983	2,434	3,899	5,073
Interest	1,593	1,469	3,153	2,918
Research and development	1,106	1,381	2,239	2,857
Depreciation and amortization	778	859	1,598	1,744
Facilities	310	388	634	764
Financing and amortization of debt and note payable issue costs	46	63	98	144
Foreign exchange loss (gain)	693	(1,635)	12	(828)
	6,509	4,959	11,633	12,672
Net income (loss) before income taxes	(2,592)	1,228	(4,911)	574
Income taxes				
Current expense	-	-	-	-
Future expense (reduction)	(257)	(331)	(439)	(456)
	(257)	(331)	(439)	(456)
Net income (loss)	(2,335)	1,559	(4,472)	1,030
Deficit, beginning of period	(24,818)	(26,398)	(22,681)	(25,869)
Deficit, end of period	\$ (27,153)	\$ (24,839)	\$ (27,153)	\$ (24,839)
Net income (loss) per share				
Basic and diluted	\$ (0.05)	\$ 0.03	\$ (0.09)	\$ 0.02