



## **PRESS RELEASE**

*For Immediate Distribution*

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# **LOGIBEC ANNOUNCES A 55% INCREASE IN THIRD QUARTER NET EARNINGS**

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Montréal, August 10, 2005 - Logibec Groupe Informatique Ltd. (TSX: LGI) announced today the results of its third quarter ended June 30, 2005. All monetary amounts are expressed in Canadian dollars.

## **HIGHLIGHTS**

- Net earnings of \$1.1 million, up 55%, or \$0.15 per share for the quarter, compared to \$0.11 per share for the same period in fiscal 2004, despite an increase of 8% in the number of shares outstanding.
- Cumulative net earnings of \$3.4 million for the nine months ended June 30, 2005, or \$0.49 per share, representing an increase of 52% compared to \$2.3 million or \$0.34 per share for the same period in fiscal 2004.
- Acquisition of 100% of the common shares of MDI Technologies, Inc. following the successful completion of a takeover bid for the company on June 20, 2005 and the subsequent merger that required the remaining shareholders to tender their shares.
- Issuance of 1.3 million common shares via private placement for consideration of \$12.6 million, net of commissions.
- Recurring revenues up 7% to \$5.1 million compared to \$4.8 million for the same period in the previous fiscal year.
- Revenues for the third quarter 2005 up 2% to \$7.3 million compared to \$7.2 million for the same period in the previous fiscal year.
- Cumulative revenue up 4% to \$22.4 million for the nine-month period ended June 30, 2005 compared to \$21.7 million for the same period in the previous fiscal year.

## **OPERATING RESULTS**

### **REVENUE**

Revenues for the third quarter of fiscal 2005 stood at \$7.3 million, an increase of 2% compared to \$7.2 million for the same period in the prior fiscal year. This increase is primarily due to a \$0.3 million, or 7%, increase in recurring revenue. Growth in recurring revenue was derived from an increase in annual

right of use revenue as well as from the contribution of MDI's recurring revenues for the 10-day period between June 21 and 30, 2005.

Non-recurring revenue decreased by \$0.2 million compared to the third quarter of the previous fiscal year. This decrease is explained on the one hand by a \$0.1 million decrease in revenue from the sale of equipment as a result of several customers postponing their purchase decisions to the quarter ending September 30, 2005 and on the other hand by a \$0.1 million decrease in professional services revenue as a result of fewer special projects related to our payroll solution.

Revenue for the nine-month period ending June 30, 2005 increased by \$0.8 million, or 4% compared to the same period last year, to stand at \$22.4 million. This increase is primarily due to an increase of \$1.4 million or 9% in recurring revenue, and a decrease of \$0.6 million or 8% in non-recurring revenue, primarily sales of equipment and of third party products.

Management continues to be satisfied with the increase in recurring revenue, given the changes in the structure of the healthcare sector in Quebec, namely the regionalization of healthcare services and the merging of healthcare facilities in Quebec and Canada as a whole. During the year, the Company responded to an unusually large number of requests for services resulting from the higher profile of the newly-formed regional agencies, as well as the planning, organizing and rationalization activities of the new healthcare organizations. These changes resulted in an extremely high level of activity throughout the year for our business development teams as well as our product development people in this area.

In our opinion this situation will continue for several quarters and will provide us with opportunities to increase our market share in this sector. We expect, however, to face increased pricing pressure as a result of these changes. We believe that the net effect of these changes will be an increased demand for highly integrated and high-performance software solutions, and a higher level of after-sale service. We view this as an opportunity to distinguish ourselves in a positive way from our competitors. Furthermore, the MDI acquisition and the geographical diversification of our revenue base that results will decrease the business risk currently present in the Quebec healthcare market.

## **OPERATING INCOME**

Operating income before depreciation, amortization, income from temporary investments, financial expenses and taxes for the quarter ended June 30, 2005 was \$2.8 million, representing an increase of \$0.3 million or 11% over the same period last year.

For the nine-month period ended June 30, 2005, operating income before depreciation, amortization, income from temporary investments, financial expenses and taxes was \$8.6 million or 38% of total revenues. This represents an increase of \$1.4 million or 19% compared to the same period last year.

## **OPERATING EXPENSES**

Operating expenses for the quarter were \$4.5 million, a decrease of 3% compared to the same period in the prior fiscal year. The decrease is a result of a significant decrease in selling, general and administrative expenses, combined with an increase in service costs.

Service costs stood at \$3.6 million up 5% for the period due to annual salary increases, a larger proportion of software development costs being expensed rather than capitalized.

Selling, general, and administrative expenses stood at \$0.9 million or 13% of revenue for the quarter compared to \$1.2 million or 17% of revenues for the same period last year. Such expenses included a charge of \$69,762 related to the granting of 134,000 stock options on April 1, 2005, to three officers of the Company. The calculation of this charge is detailed in note 6 of the consolidated financial statements for the nine months ended June 30, 2005. The significant decrease in selling, general and administrative

expenses is primarily due to a decrease in provisions for incentive compensation and to the reclassification to service costs of the royalties payable to Centre Hospitalier de l'Université de Montréal.

## **DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS**

Depreciation and amortization of property, plant, and equipment, intangible assets and other long-term assets for the quarter ended June 30, 2005 decreased to \$1.1 million or 17% compared to the same period last year. Depreciation of property, plant and equipment decreased by \$0.1 million for the quarter following the renewal of the Company's leases in the Cité du Multimédia complex until 2012 and the depreciation of leasehold improvements over a longer period. Amortization of intangible and other long-term assets also decreased by \$0.1 million and stood at \$0.8 million. During the fiscal year 2004, the Company accelerated the amortization of certain software packages that had been capitalized as intangible assets. The result was a lower amount of intangible assets on the balance sheet at the beginning of fiscal year 2005 than fiscal year 2004 and, consequentially, lower amortization charges for fiscal 2005.

## **FINANCIAL EXPENSES**

Financing expenses were \$0.2 million for the quarter, representing an increase of 9% compared to financing expenses for the same period last year. Financial expenses are mainly comprised of interest costs related to the credit facilities obtained to finance the takeover bid for MDI and the subsequent merger.

## **NET EARNINGS**

Net earnings for the third quarter ended June 30, 2005 increased by 55% to \$1.1 million or \$0.15 per share (\$0.14 per fully-diluted share). This compares to \$0.7 million or \$0.11 per share (\$0.10 per fully-diluted share), for the same period in the prior year.

Net earnings for the nine-month period ended June 30, 2005 increased by 52% compared to the same period last year, and stood at \$3.4 million or \$0.49 per share (\$0.46 per fully-diluted share). This compares favorably to net earnings of \$2.3 million or \$0.34 per share (\$0.32 per fully-diluted share) for this same period in fiscal 2004 and surpasses net earnings for the entire 2004 fiscal year which stood at \$3.0 million or \$0.45 per share (\$0.42 per fully-diluted share).

## **LIQUIDITY AND SOURCES OF FINANCING**

### **OPERATING ACTIVITIES**

For the quarter ended June 30, 2005, operating activities generated cash flows of \$9.1 million compared to \$6.8 million for the same quarter in the prior fiscal year. This increase is mainly generated by changes in non-cash working capital items, namely an increase in the number of customers who paid their annual rights of use in advance and a lesser decrease in accounts payable and accrued liabilities.

### **INVESTING ACTIVITIES**

The main investing activity of the third quarter was the MDI acquisition, a TSX Venture listed company based in St. Louis, Missouri.

On April 29, 2005, the Company launched, through its wholly-owned subsidiary LGI Acquisition, Inc. ("LGIA"), an unsolicited all-cash offer for all of MDI's common shares (the "Shares") at a price of US\$2.40 per Share. Logibec owned 1,137,200 Shares when it launched the takeover bid, 771,200 of which were purchased during the third quarter.

On May 26, 2005, the Company entered into an agreement with MDI's principal officers which allowed the Company to increase its offer to US\$2.60 per share upon the condition that the officers tender their Shares to the takeover bid, that they provide consulting services to the Company until December 31, 2005, and that they forego the severance payments that were provided for in their employment contracts.

Upon expiry of the takeover bid on June 13, 2005, a total of 10.1 million Shares had been deposited pursuant to the offer, representing 84% of the outstanding Shares. With the deposited Shares, Logibec owned (directly and indirectly) 94% of the Shares allowing the Company to consolidate MDI's operations as of June 21, 2005 the day following the payment of the shares. Subsequently, the Company effected a short-form merger of LGIA and MDI on June 30, 2005.

The portion of the purchase price for MDI that was paid as of June 30, 2005, was \$35.8 million. This amount includes \$710,842 that was disbursed during the quarter ended March 31, 2005 and \$423,760 in acquisition-related fees.

Finally, the Company invested \$0.8 million in intangible and other long-term assets. Intangible assets added during the quarter were mainly capitalized software development costs in the amount of \$0.4 million. Other long-term assets added during the quarter were comprised of fees in the amount of \$0.3 million incurred in setting up the Company's credit facilities.

## **FINANCING ACTIVITIES**

The third quarter ended June 30, 2005 was an active quarter with regard to financing activities. First, to launch its takeover bid for MDI, the Company entered into a banking agreement with two Canadian charter banks. The agreement provides the Company with two loans totalling \$28.3 million. The first loan, a revolving reducing term loan in the amount of \$18.3 million, is repayable over four years and bears interest at a variable rate base on the banks' prime rate. The second loan is termed a special credit facility and is in the amount of \$10.0 million, is repayable in three instalments between the time of its disbursement and April 30, 2006 and bears interest at a variable rate based on the banks' prime rate.

On June 14, 2005, following the successful completion of the MDI takeover bid, the Company accepted a bought deal proposal for the issuance of 1.3 million common shares, at a price of \$10.50 each, via private placement. Total net proceeds for the placement amounted to \$12.6 million. The placement closed on June 29, 2005 and allowed the Company to completely reimburse the special credit facility of \$10.0 million and to make a \$2.5 million payment against its revolving reducing term loan.

Both loans are revolving in nature and thus amounts repaid over and above regularly-scheduled payments, remain available for drawdown by the Company up to the reducing credit limit. As of the date of this report, an amount of \$6.0 million was available for drawdown under the revolving reducing term loan and an amount of \$6.7 million was available under the special credit facility.

Subsequent to the end of the third quarter, the Company reimbursed an additional amount of \$3.9 million under its revolving reducing term loan, leaving the amount outstanding under the loan at \$11.9 million as of the date of this report.

During the third quarter, the Company repaid the final amount owing on the balance of purchase price for the December 2002 acquisition of the Centre Hospitalier de l'Université de Montréal's IT operations. The payment amounted to \$2.0 million and included \$0.2 million in interest charges.

During the third quarter, the Company's board of directors granted 134,000 stock options to three officers. The options have a strike price of \$9.84 per share. In addition, the Company issued 19,000 common shares for total cash consideration of \$49,500 following the exercise of 12,000 stock options and 7,000 stock options at exercise prices of \$2.50 and \$3.50 per share, respectively.

On June 30, 2005, the Company had cash on hand of \$3.9 million in addition to the liquidity available under the credit facilities. Management believes the Company has sufficient liquidity to fund its business growth.

## **ABOUT LOGIBEC**

**LOGIBEC** is among the ten largest Canadian companies specializing in the development, marketing, implementation and support of information systems for the health and social services sector. Over 400 health organizations use our products and services delivered by an experienced team of employees that numbered over 200 as of March 31, 2005. The Company has its head office in Montreal as well as offices in Quebec City and Edmonton.

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Source:

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This news release contains forward-looking statements reflecting Logibec Groupe Informatique Ltd. objectives, estimates and expectations. Such statements may be marked by the use of verbs such as "believe", "anticipate", "estimate" and "expect" as well as the use of the future or conditional tense. By their very nature, such statements involve risks and uncertainty. Actual results may differ significantly from the Company's forecasts or expectations.

**LOGIBEC GROUPE INFORMATIQUE LTD.**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

(unaudited)

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Revenue</b>	<b>7,292,692</b>	7,151,378	<b>22,425,172</b>	21,654,468
Operating expenses				
Service costs	<b>3,590,656</b>	3,427,178	<b>10,329,109</b>	10,497,972
Selling and administrative expenses	<b>877,257</b>	1,235,151	<b>3,424,004</b>	3,937,932
Stock-based compensation	<b>69,762</b>	-	<b>69,762</b>	-
	<b>4,537,675</b>	4,662,329	<b>13,822,875</b>	14,435,904
Earnings before the following items	<b>2,755,017</b>	2,489,049	<b>8,602,297</b>	7,218,564
Depreciation of property, plant and equipment	<b>230,096</b>	321,719	<b>656,664</b>	746,521
Amortization of intangible assets and other long-term assets	<b>839,819</b>	969,749	<b>2,769,389</b>	2,571,260
Gain on disposal of temporary investment	-	-	-	(115,115)
Income on temporary investment	<b>(12,851)</b>	(20,991)	<b>(39,734)</b>	(67,206)
Financial expenses	<b>155,859</b>	142,968	<b>335,849</b>	610,431
Earnings before income taxes	<b>1,542,094</b>	1,075,604	<b>4,880,129</b>	3,472,673
Income taxes	<b>442,999</b>	366,585	<b>1,444,499</b>	1,208,130
<b>Net earnings</b>	<b>1,099,095</b>	709,019	<b>3,435,630</b>	2,264,543
Retained earnings, beginning of period	<b>7,256,736</b>	3,712,819	<b>5,148,891</b>	2,157,295
Premium on redemption of common shares	-	-	<b>(228,690)</b>	-
<b>Retained earnings, end of period</b>	<b>8,355,831</b>	4,421,838	<b>8,355,831</b>	4,421,838
<b>Net earnings per share</b>				
Basic	<b>0.15</b>	0.11	<b>0.49</b>	0.34
Diluted	<b>0.14</b>	0.10	<b>0.46</b>	0.32
<b>Weighted average number of common shares outstanding</b>				
Basic	<b>7,219,445</b>	6,674,124	<b>7,045,386</b>	6,648,942
Diluted	<b>7,644,664</b>	7,115,969	<b>7,429,020</b>	7,050,428

**LOGIBEC GROUPE INFORMATIQUE LTD.**  
**CONSOLIDATED BALANCE SHEETS**

	June 30, 2005	September 30, 2004
	\$ (unaudited)	\$ (audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,898,696	6,565,935
Accounts receivable	9,740,593	3,661,594
Income tax credits receivable	1,984,598	1,130,530
Income tax receivable	1,332,027	164,987
Advance	-	341,676
Prepaid expenses and other current assets	454,831	362,027
	<b>17,410,745</b>	<b>12,226,749</b>
Property, plant and equipment	4,887,167	4,547,489
Goodwill	39,847,384	6,958,145
Intangible assets and other long-term assets	13,371,902	14,419,652
	<b>75,517,198</b>	<b>38,152,035</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	7,939,251	5,220,402
Due to a related party	64,675	-
Income taxes	1,450,785	-
Future income taxes	60,000	60,000
Current portion of long-term debt	4,572,065	1,786,766
Current liabilities, excluding deferred revenue	14,086,776	7,067,168
Deferred revenue	11,911,598	7,076,728
	<b>25,998,374</b>	<b>14,143,896</b>
Long-term debt	11,216,196	2,841,162
Future income taxes	3,456,437	3,557,626
	<b>40,671,007</b>	<b>20,542,684</b>
<b>Shareholders' equity</b>		
Share capital	26,162,653	11,305,023
Warrants	615,837	1,155,437
Contributed surplus	69,762	-
Currency translation adjustment	(357,892)	-
Retained earnings	8,355,831	5,148,891
	<b>34,846,191</b>	<b>17,609,351</b>
	<b>75,517,198</b>	<b>38,152,035</b>

**LOGIBEC GROUPE INFORMATIQUE LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Operating activities</b>				
Net earnings	1,099,095	709,019	3,435,630	1,555,524
Adjustments for:				
Amortization of property, plant and equipment	230,096	321,719	656,664	424,802
Amortization of intangible assets and other long-term assets	839,819	969,749	2,769,389	1,601,511
Stock-based compensation	69,762	-	69,762	-
Loss on disposal of assets	-	-	-	68,890
Future income taxes	(232,512)	-	(232,512)	811,413
	2,006,260	2,000,487	6,698,933	4,462,140
Changes in non-cash working capital items	7,064,240	4,821,978	145,489	(996,422)
	9,070,500	6,822,465	6,844,422	3,465,718
<b>Investing activities</b>				
Acquisition of minority interest	-	-	-	(75,000)
Business acquisition	(32,394,741)	-	(33,105,583)	-
Decrease (increase) in advance	64,675	(29,822)	406,351	66,978
Disposal of property, plant and equipment	-	-	-	61,110
Acquisition of property, plant and equipment	(58,337)	(597,035)	(315,383)	(2,675,025)
Acquisition of intangible assets and other long-term assets, net of investment tax credits	(765,050)	(672,119)	(1,721,639)	(1,625,809)
	(33,153,453)	(1,298,976)	(34,736,254)	(4,247,746)
<b>Financing activities</b>				
Increase in long-term debt	28,288,261	-	28,288,261	-
Repayment of long-term debt	(14,376,770)	(494,410)	(17,127,928)	(5,324,242)
Redemption of shares	-	-	(299,115)	-
Issuance of share capital	12,688,455	-	14,388,455	1,050,000
	26,599,946	(494,410)	25,249,673	(4,274,242)
Effect of exchange rate changes on cash denominated in foreign currency	(25,080)	-	(25,080)	-
Increase in cash and cash equivalents	2,491,913	5,029,079	(2,667,239)	(5,056,270)
Cash and cash equivalents, beginning of year	1,406,783	2,065,924	6,565,935	7,122,194
<b>Cash and cash equivalents, end of year</b>	<b>3,898,696</b>	<b>7,095,003</b>	<b>3,898,696</b>	<b>2,065,924</b>
<b>Additional information</b>				
Interest paid	185,346	65,267	244,032	877,276
Income taxes paid (recovered)	(53,532)	17,915	(46,468)	47,513