



# PRESS RELEASE

Listed: TSX  
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FOR IMMEDIATE RELEASE  
August 3, 2006

## Digital Dispatch Reports Strong Operating Income for Q2

**Richmond, BC, August 3, 2006** – Digital Dispatch Systems Inc. (TSX: DD), a leading provider of mobile data solutions, today released its unaudited financial results for the second quarter ended June 30, 2006. (All financial information is expressed in CDN dollars and Canadian GAAP)

“As previously indicated, revenues for the second quarter were lower than the same period of last year. However, Digital Dispatch experienced strong sales activity late in the quarter which will be delivered in 2006,” stated George Reznik, CFO for Digital Dispatch. “Prudent cost management resulted in increased gross margin with continued strong operating income for the Company which was offset by unrealized foreign exchange loss in the period. The Company continues to be a leader in its market with an increasing customer base, strategic partnerships and forecasts strong growth for the remainder of 2006.”

### Financial Results

Total revenues for the second quarter of 2006 were \$5.5 million compared to \$6.0 million in the first quarter of 2006 and \$6.7 million in the same quarter of the previous year. The Company posted gross margins of 53% for the current quarter which is consistent with the previous quarter and higher than the 51% for the same period in the previous year. Total operating expenses were \$2.3 million for the quarter, compared to \$2.5 million for the first quarter of 2006 and \$2.7 million for the same quarter of last year, a decrease of 8% and 13% respectively. For the second quarter ended June 30, 2006, the Company reported net income of \$8,450 or \$0.00 per share compared to \$474,665 or \$0.04 per share in the first quarter of 2006, and net income of \$461,680 or \$0.04 per share for the same quarter last year.

Total revenues for the six months ended June 30<sup>th</sup> were \$11.5 million versus \$12.3 million for the same period last year. The Company reported net income of \$483,116 or \$0.04 per share compared to \$545,134 or \$0.04 per share for the same period last year.

The Company had \$20.3 million in cash and 12,118,981 shares outstanding as at June 30<sup>th</sup> 2006. Subsequent to the quarter end the Company purchased a further 84,600 common shares as part of its normal course issuer's bid. The Company's guidance for its fiscal year 2006 provided previously remains unchanged.

### Quarterly Highlights

- Strategic partnership with a global financial institution to develop unique mobile payment gateway.
- Continued expansion into the Paratransit market.

- Incremental sales traction to Roadside Assistance customers.
- Increased customer base for Digital Dispatch Systems' Web based hosted services, eFleet™.
- Mobile data solutions for taxi vertical market strong with addition of several new customers.

For a more detailed analysis, please refer to Management's Discussion and Analysis of Financial Conditions and Results of Operations, which is available on the Company website ([www.digital-dispatch.com](http://www.digital-dispatch.com)) and on SEDAR.

### **Conference Call**

The Company will host a conference call at 1:30 PM EST today to discuss the results. Please call 416-695-7848 or 1-877-888-4483 to participate in the call. A replay of this conference call will be available until Thursday, August 10, 2006, by dialing 416-695-5275 or 1-888-509-0081 and entering access code 627960.

### **Forward-Looking Statements**

This press release contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information. Such forward-looking statements may include financial and other projections as well as statements regarding the Company's future plans, market opportunities, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. Forward-looking information is subject to known and unknown business and economic uncertainties, risks and other factors. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the need to develop, integrate and deploy applications to meet our customer's requirements; the possibility of development or deployment difficulties or delays; the dependence on our customer's satisfaction with Digital Dispatch Systems' products; our customers' continued commitment to the deployment of our solutions; the risks involved in developing integrated software and hardware solutions and integrating them with third-party communication and other services; the performance of the global economy and growth in software industry sales; market acceptance of the company's products and services; customer and industry analyst perception of the company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by competitors; political unrest or acts of war; possible disruptive effects of organizational or personnel changes; and including but not limited to other factors described in Digital Dispatch Systems' reports filed on Sedar, including its Annual Information Form for the year ended December 31, 2005 and report for the quarter ended March 31, 2006. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this press release are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

*The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release.*

### **About Digital Dispatch Systems Inc.**

Digital Dispatch Systems Inc. is a worldwide provider of mobile data solutions for fleet and mobile workforce management. Founded in 1987, we have an installed base of 70,000 wireless mobile data devices and nearly 200 wireless data systems in four continents. We offer products and services to manage vehicle fleets and mobile workforces, including dispatch software, wireless communication infrastructure and a range of in-vehicle mobile devices. Visit [www.digital-dispatch.com](http://www.digital-dispatch.com) for more information.

### **For further information, please contact:**

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# DIGITAL DISPATCH SYSTEMS INC.

## Consolidated Balance Sheets

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,591,380	\$ 6,770,989
Short-term investments	11,735,945	12,122,610
Accounts receivable	5,836,297	7,173,391
Unbilled receivables	2,200,607	3,457,030
Investment tax credits recoverable	462,354	462,354
Future income taxes	648,552	564,212
Inventories	2,313,711	3,109,315
Prepaid expenses	380,164	406,988
Current portion of leases receivable	960,086	764,507
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	33,129,096	34,831,396
Capital assets	503,262	549,484
Investment tax credits recoverable	2,108,076	1,849,412
Long term leases receivable	523,108	868,921
Future income taxes	1,470,511	1,048,370
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	\$ 37,734,053	\$ 39,147,583
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,080,076	\$ 2,044,315
Deferred revenue	993,963	2,022,540
Deferred gain	191,076	191,076
Current income tax payable	890,744	740,262
Current portion future income taxes	1,131,319	1,253,534
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	5,287,178	6,251,727
Long-term portion of deferred gain	238,846	334,384
Future income taxes	1,377,147	726,296
Shareholders' equity:		
Share capital	20,190,841	20,922,358
(Issued and outstanding: June 30, 2006 - 12,118,981; December 31, 2005 - 12,558,067)		
Contributed surplus	260,028	195,226
Retained earnings	11,276,627	11,614,206
Cumulative translation adjustments	(896,614)	(896,614)
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	30,830,882	31,835,176
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	\$ 37,734,053	\$ 39,147,583

# DIGITAL DISPATCH SYSTEMS INC.

## Consolidated Statements of Operations and Retained Earnings

	Three months ended June 30,		Six months ended June 30,	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
Revenue	\$ 5,488,793	\$ 6,701,002	\$ 11,495,086	\$ 12,328,089
Cost of sales	2,593,157	3,255,546	5,423,757	6,173,073
	2,895,636	3,445,456	6,071,329	6,155,016
Operations expenses:				
Research and development	879,148	1,019,756	1,908,063	2,096,419
Sales and marketing	781,465	898,766	1,450,465	1,653,588
General and administrative	657,850	744,508	1,485,233	1,468,804
	2,318,463	2,663,030	4,843,761	5,218,811
Earnings before undernoted	577,173	782,426	1,227,568	936,205
Other (income) expense:				
Amortization of capital assets	77,074	68,332	157,871	143,900
Foreign exchange	509,259	60,908	414,970	9,781
Other	(47,769)	(47,222)	(95,538)	(89,930)
Stock compensation	26,526	46,066	64,802	91,066
	565,090	128,084	542,105	154,817
Earnings before income taxes	12,083	654,342	685,463	781,388
Income taxes				
Current	42,633	24,907	180,191	106,157
Future	(39,000)	167,755	22,156	130,097
	3,633	192,662	202,347	236,254
Net earnings	8,450	461,680	483,116	545,134
Retained earnings, beginning of period	12,002,253	10,580,035	11,614,206	10,496,581
Stock repurchase	(734,076)	(488,137)	(820,695)	(488,137)
Retained earnings, end of period	\$ 11,276,627	\$ 10,553,578	\$ 11,276,627	\$ 10,553,578
Earnings per common share				
Basic	\$ -	\$ 0.04	\$ 0.04	\$ 0.04
Diluted	\$ -	\$ 0.04	\$ 0.04	\$ 0.04
Weighted average shares				
Basic	12,338,992	13,011,153	12,435,050	13,077,985
Diluted	12,339,954	13,011,153	12,436,012	13,077,985

# DIGITAL DISPATCH SYSTEMS INC.

## Consolidated Statements of Cash Flows

	Three months ended June 30,		Six months ended June 30,	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
Cash provided by (used in):				
Operations:				
Net earnings	\$ 8,450	\$ 461,680	\$ 483,116	\$ 545,134
Items not involving cash:				
Amortization	77,074	78,253	157,871	153,821
Future income taxes	(39,000)	159,568	22,156	164,338
Amortization of gain on disposition of land and building	(47,769)	(47,769)	(95,538)	(95,538)
Stock compensation	26,526	46,066	64,802	91,066
	25,281	697,798	632,407	858,821
Change in non-cash operating working capital	699,680	(790,217)	2,106,409	(1,261,304)
	724,961	(92,419)	2,738,816	(402,483)
Investments:				
Increase in short-term investments	621,500	(6,994,197)	386,665	404,162
Purchase of capital assets	(39,794)	(76,547)	(138,100)	(110,208)
Repayments on leases receivable	273,338	(6,495)	463,729	386,074
	855,044	(7,077,239)	712,294	680,028
Financing:				
Repurchase of share capital	(1,374,463)	(1,007,596)	(1,552,212)	(1,007,596)
	(1,374,463)	(1,007,596)	(1,552,212)	(1,007,596)
Effect of foreign currency exchange rates on cash and cash equivalents	(120,263)	113,797	(78,507)	89,723
Increase (decrease) in cash and cash equivalents	85,279	(8,063,457)	1,820,391	(640,328)
Cash and cash equivalents, beginning of period	8,506,101	16,949,506	6,770,989	9,526,377
Cash and cash equivalents, end of period	\$ 8,591,380	\$ 8,886,049	\$ 8,591,380	\$ 8,886,049