

# DDS WIRELESS INTERNATIONAL INC.



## PRESS RELEASE

Listed: TSX  
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FOR IMMEDIATE RELEASE  
November 14, 2008

### **DDS Wireless Continues its Growth Trend Over 2007 Revenues for the nine months of 2008 up 72% to \$22.9 million**

**Richmond, BC, November 14, 2008** – DDS Wireless International Inc. (TSX: DD), a leading provider of mobile data solutions, today released unaudited financial results for the third quarter and nine months ended September 30, 2008. All financial information is expressed in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") except where noted specifically.

The Company's revenue grew 72% to \$22.9 million for the nine months ended September 30, 2008 compared to \$13.3 million in the same period in 2007, reflecting both the revenue contributions from the acquisition of MobiSoft and StrataGen in Q4 2007, and the organic growth since closing the acquisitions.

"We are very pleased with the growth we have gained as a result of these acquisitions and the strategic transformation of the Company. Through these measures, we have developed exciting new markets that present significant opportunities for continued growth. More importantly, we have set the stage for a return to profitability. This is an important goal for a company which, prior to 2007, had 15 consecutive years of profitability. Finally, we also took steps to improve our cash position through more effective working capital management and thereby put us on sounder footing" said Jim Zadra, CFO of the Company.

Total revenues for the three months ended September 30, 2008 were \$7.6 million compared to \$5.1 million for the same period in the prior year, and \$8.2 million in the three months ended June 30, 2008. The decline in revenues from Q2 2008 was due in part to the tightening of credit extended by the Company to its customers which resulted in the delay in the delivery of some projects. This measure was taken by the Company in order to improve the Company's liquidity.

The Company realized overall gross margin of 46% for the three months ended September 30, 2008 compared with a gross margin of 48% and 51% for the three months ended June 30, 2008 and September 30, 2007, respectively. Total operating expenses were \$4.0 million for the three months ended September 30, 2008 compared with \$4.1 million for the three months ended June 30, 2008 and \$2.6 million in the same period of the prior year. For the three months ended September 30, 2008, the Company is reporting a net loss of \$0.8 million or \$0.06 loss per share compared to net loss of \$0.6 million or \$0.04 loss per share for the three months ended June 30, 2008, and net loss of \$0.6 million or \$0.05 loss per share and September 30, 2007. The net loss for the three months ended September 30, 2008 includes amortization and stock compensation expenses of \$0.9 million, compared to \$0.2 million for the same period in the prior year, and \$0.8 million for Q2 of 2008.

EBITDAS is a non-GAAP financial measure and the Company defines it as Earnings before interest, taxes, depreciation which includes depreciation of fixed assets charged to Cost of Sales ("COS"), amortization and stock compensation expenses. EBITDAS for the third quarter was negative \$142,000 compared to negative EBITDAS of \$640,000 for the same period last year, and positive EBITDAS of \$59,700 for the second quarter. Due to the acquisitions of MobiSoft and StrataGen in 2007 there is \$607,000 of

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amortization pertaining to acquired intellectual property reflected in the Q3 2008 results and therefore EBITDAS is being provided to evaluate the Company cash earnings.

Total revenues for the nine months ended September 30, 2008 were \$22.9 million compared with total revenues of \$13.3 million for the same period in the prior year. The Company earned an overall gross margin of 47% for the nine months ended September 30, 2008 compared with a gross margin of 51% for the nine months ended September 30, 2007. Total operating expenses were \$11.6 million for the nine months ended September 30, 2008 compared with \$7.9 million for the same period of the prior year. For the nine months ended September 30, 2008, the Company is reporting a net loss of \$2.0 million or \$0.15 loss per share compared to a net loss of \$2.4 million or \$0.20 loss per share for the nine months ended September 30, 2007. The net loss for the nine months ended September 30, 2008 includes amortization and stock compensation expenses of \$2.6 million, compared to \$0.4 million for the same period in the prior year.

EBITDAS (as defined above) for the nine months ended September 30, 2008 was negative \$44,000 compared to negative EBITDAS of \$2,819,000 for the same period last year. Due to the acquisitions of MobiSoft and StrataGen in 2007 there is \$1,814,000 of amortization pertaining to acquired intellectual property and therefore EBITDAS is being provided to evaluate the Company cash earnings.

At September 30, 2008, the Company had \$2.6 million of net working capital as compared to \$3.6 million at December 31, 2007. At September 30, 2008, the Company had \$1.6 million of cash and short-term investments and \$0.8 million drawn on its \$4.2 million line of credit facilities. This compares to \$1.1 million of cash, and \$1.3 million drawn on the Company's line of credit facilities at the end of the prior year. The Company has 13,789,746 common shares outstanding as at September 30, 2008.

## **Fiscal Year 2008 Revenue Guidance**

We are reaffirming our revenue guidance for the 2008 fiscal year of between \$33 to \$34 million based on CAD/USD exchange rate at of 1.21.

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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.ddswireless.com](http://www.ddswireless.com)) and on SEDAR.

## **Conference Call**

The Company will host a conference call at 5:00 PM EST on Friday, November 14, 2008 to discuss the financial results. Please call 416-641-6142 / 1- 866-300-7687 to participate in the call. A replay of this conference call will be available until November 28, 2008, by dialing 416-695-5800 or 1-800-408-3053 and entering access code 3274693.

## **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. 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 DDS Wireless' 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; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; reliance on a limited number of suppliers; industry growth; competition; intellectual property; product defects and product liability; currency exchange rate risk; concentration

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of ownership; and including but not limited to other factors described in DDS Wireless' reports filed on Sedar, including its Annual Information Form and financial report for the year ended December 31, 2007. 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.

## **About DDS Wireless International Inc.**

DDS Wireless International Inc. is a global leader in providing application software for multiple vertical markets within the transportation industry. The Company specializes in transit routing and scheduling, real-time dispatching, vehicle location and tracking software applications, communications infrastructure as well as in-vehicle wireless devices. DDS Wireless operates four businesses dedicated for Transit, Taxi, Limousines and Work Truck, and Wireless Devices and Communication Infrastructure. The Company supports its customers worldwide through its offices in Canada, Finland, Singapore, Sweden, U.K. and U.S.A.

Visit [www.ddswireless.com](http://www.ddswireless.com) for more information.

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

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**SEE ATTACHED FINANCIAL STATEMENTS**

# DDS WIRELESS INTERNATIONAL INC.

## Interim Consolidated Balance Sheets (unaudited)

	September 30, 2008	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,415,273	\$ 1,075,203
Short-term investments	152,444	-
Accounts receivable	4,920,097	7,473,503
Unbilled receivables	3,105,006	3,326,299
Income taxes receivable	-	147,601
Future income taxes	20,546	76,100
Inventories (note 10)	2,951,766	2,917,686
Prepaid expenses	1,002,932	620,444
Current portion of leases receivable (note 8)	430,536	475,377
	<b>13,998,600</b>	<b>16,112,213</b>
Plant and equipment (note 6)	3,480,683	2,660,921
Investment (note 9)	102,565	-
Leases receivable (note 8)	1,934,362	1,784,818
Future income taxes	5,054,628	3,933,562
Acquired intangible assets (note 7)	9,203,222	11,011,000
Goodwill	3,275,544	3,329,000
	<b>\$ 37,049,604</b>	<b>\$ 38,831,514</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Line of credit (note 11)	\$ 777,762	\$ 1,255,954
Accounts payable and accrued liabilities	4,676,517	4,527,892
Deferred acquisition costs payable	2,273,918	4,097,802
Income taxes payable	23,031	-
Future income taxes	849,246	820,761
Deferred revenue	2,605,314	1,459,894
Deferred gain	-	143,308
Current portion of long-term debt (note 12)	164,136	144,193
	<b>11,369,924</b>	<b>12,449,804</b>
Long-term debt (note 12)	382,609	506,053
Future income taxes	791,892	1,139,849
	<b>12,544,425</b>	<b>14,095,706</b>
Shareholders' equity:		
Share capital (note 14)	24,608,246	22,836,687
Contributed surplus (note 14(d))	717,755	660,231
Retained earnings	93,298	2,106,161
Accumulated other comprehensive loss	(914,120)	(867,271)
	<b>24,505,179</b>	<b>24,735,808</b>
	<b>\$ 37,049,604</b>	<b>\$ 38,831,514</b>

# DDS WIRELESS INTERNATIONAL INC.

## Interim Consolidated Statements of Operations (unaudited)

	Three months ended		Nine months ended	
	Sep-30-2008	Sep-30-2007	Sep-30-2008	Sep-30-2007
Revenue (note 17)	\$ 7,635,780	\$ 5,096,077	\$ 22,852,758	\$ 13,280,652
Cost of sales				
Sales related expenses	3,937,359	2,485,987	11,774,977	6,523,610
Amortization of sales related assets	201,614	-	429,175	-
<b>Total cost of sales</b>	<b>4,138,973</b>	<b>2,485,987</b>	<b>12,204,152</b>	<b>6,523,610</b>
Gross margin	3,496,807	2,610,090	10,648,606	6,757,042
Operating expenses:				
Research and development	1,583,863	918,861	4,551,996	2,846,883
Sales and marketing	1,062,745	831,079	3,077,716	2,869,504
General and administrative	1,348,610	817,620	3,961,392	2,176,845
	<b>3,995,218</b>	<b>2,567,560</b>	<b>11,591,104</b>	<b>7,893,232</b>
(Loss) income before undernoted	(498,411)	42,530	(942,498)	(1,136,190)
Other (income) expense:				
Amortization of plant and equipment	118,854	78,403	351,300	221,348
Amortization of intangibles (note 7)	606,584	-	1,813,765	-
Foreign exchange (gain) loss	(106,529)	730,733	(326,154)	1,825,622
Stock-based compensation (note 14(c))	-	75,000	57,524	225,000
Other (note 13)	(29,169)	(47,412)	(84,049)	(131,796)
	<b>589,740</b>	<b>836,724</b>	<b>1,812,386</b>	<b>2,140,174</b>
Loss before income taxes	(1,088,151)	(794,194)	(2,754,884)	(3,276,364)
Income taxes				
Current expense (recovery)	79,749	30,086	642,963	(409,583)
Future (recovery)	(402,352)	(231,801)	(1,384,984)	(504,438)
	<b>(322,603)</b>	<b>(201,715)</b>	<b>(742,021)</b>	<b>(914,021)</b>
Net loss	(765,548)	(592,479)	(2,012,863)	(2,362,343)
Loss per common share (note 15):				
Basic	\$ (0.06)	\$ (0.05)	\$ (0.15)	\$ (0.20)
Diluted	\$ (0.06)	\$ (0.05)	\$ (0.15)	\$ (0.20)