



## NEWS RELEASE

**For Immediate Release  
April 28, 2006**

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## **OMT Reports Annual Results for 2005**

**Winnipeg, Manitoba, April 28, 2006** -- OMT Inc. (TSXV: OMT) announced today the Company's consolidated results for the year ended December 31, 2005.

### **Description of Business**

OMT Inc. (TSXV: OMT) is a digital media content and technology solution provider to radio broadcasters and retailers with two business units. Intertain Media, the digital entertainment division, offers background music and messaging services as well as media previewing systems to major retailers. The OMT Technologies division delivers radio automation systems to over 1,500 domestic and international clients. OMT's broadcasting, multi-media technology, and content are heard daily by over 50 million people worldwide through radio, satellite, television and Internet delivered broadcasts. To learn more about the Company, its products and services, visit its website at [www.omt.net](http://www.omt.net).

### **Management's Discussion and Analysis**

Certain statements made in the following Management's Discussion and Analysis contain forward-looking statements including, but not limited to, statements concerning possible or assumed future results of operations of the Company. Forward-looking statements represent the Company's intentions, plans, expectations and beliefs, and are not guarantees of future performance. Such forward-looking statements represent our current views based on information as at the date of this report. They involve risks, uncertainties and assumptions and the Company's actual results could differ, which in some cases may be material, from those anticipated in these forward-looking statements. Unless otherwise required by applicable securities law, we disclaim any intention or obligation to publicly update or revise this information, whether as a result of new information, future events or otherwise. The Company cautions investors not to place undue reliance upon forward-looking statements.

### **Results of Operations**

This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 and the associated notes.

The audited consolidated financial statements provide a comparison of the year ended December 31, 2005 to the year ended December 31, 2004.

## Annual Review (numbers shown in '000s)

	<u>December 31</u> <u>2005</u>	<u>December 31</u> <u>2004</u>	<u>December 31</u> <u>2003</u>
Total Sales	\$4,176	\$3,482	\$5,095
Gross Profit	\$2,595	\$2,217	\$2,299
Gross Profit %	62.1%	63.7%	45.1%
Total Operating Expenses	\$2,392	\$2,378	\$2,529
Other Expenses	872	723	825
Net Income (Loss)	(\$669)	(\$884)	(\$1,155)
Net Income (Loss) per share (basic & diluted)	(\$0.02)	(\$0.07)	(\$0.10)
Dividends declared	Nil	Nil	Nil
Total Assets	\$1,594	\$2,395	\$1,605
Total Long-term liabilities	\$3,222	\$2,981	\$2,362

Results for the year ended December 31, 2005 reflect the total business of the OMT Technologies and Intertain Media divisions. Overall sales were 20% higher in 2005, as compared to 2004. The OMT Technologies division represented \$480,000 or 69% of the increased sales in 2005, while the Intertain division contributed \$214,000 or 31% of the increased sales.

Sales in 2003 were higher than 2004 due to revenues from large custom solutions projects in 2003, as well as sales from Oakwood Broadcast (an equipment distribution division sold in July 2003). In 2003, revenue from large custom projects amounted to approximately \$1,540,000. Sales from Oakwood Broadcast were approximately \$875,000. In 2004, there were no large custom solutions projects or Oakwood Broadcast sales. Without these two revenue areas, comparative sales in 2004 were higher by \$802,000 over 2003.

The 2004 and 2005 sales results reflect the Company's strategy to build stronger recurring revenues and higher gross profit sales. As a result of this focus, recurring revenues increased from approximately \$389,000 in 2003 to \$636,000 in 2004 and \$789,000 in 2005, representing 19% of total revenues. This growth reflects the positive change in the Company's shift towards higher margin, recurring subscription revenue from core OMT Technologies and Intertain Media products. Core products for the two divisions include Radio Automation Systems, in store Retail Preview Systems and Retail Radio Systems.

Gross profit increased by \$378,000 from \$2,217,000 in 2004 to \$2,595,000 in 2005. The OMT Technologies division represented \$275,000 or 73% of the increased gross profit in 2005 over 2004 while the Intertain division represented \$103,000 or 27% of the increase. As a percentage of total sales, gross profit declined slightly from 63.7% in 2004 to 62.1% in 2005. The decrease in gross profit is attributed to an increase of lower margin hardware sales across both divisions from 2004 to 2005.

Operating expenses were reduced by 6% from \$2,529,000 in 2003 to \$2,378,000 in 2004. The operating expense saving in 2004 was primarily due to a reduction in salaries and related expenses. Selling and administrative expenses increased from \$2,067,000 in 2004 to \$2,170,000 in 2005, an increase of \$103,000. The change is due to increases in professional fees and salaries. Research and development expenses declined from \$310,000 in 2004 to \$222,000 in 2005. Savings in this area are a result of high reliability levels of the Company's technologies and improved efficiencies in the ongoing process of developing new software products and technologies.

Other expenses were \$102,000 higher in 2003 as compared to 2004. The 2003 expense included severance costs of \$252,000 and foreign exchange losses of \$132,000. In 2004, interest expenses increased by \$85,000 and previously capitalized financing costs of \$65,000 were written off. Other expenses increased from \$723,000 in 2004 to \$872,000 in 2005, which included \$259,000 of non-cash amortized interest as a result of debt financing requirements on the \$4,000,000 of convertible debt secured in December, 2004. Payments on this debt are for interest only, and no principal payments are required until December, 2008.

Many of the Company's assets are almost fully depreciated and this resulted in a decrease of \$77,000 in amortization expense.

The net loss in 2005 was \$669,000, an improvement of \$215,000 over 2004. The net loss in 2004 of \$884,000 was an improvement of \$271,000 over 2003 when the loss was \$1,155,000. In both years, this improvement was mainly due to increased gross profit. Improved gross profit is offset by interest expenses which have increased from \$322,000 in 2003 to \$386,000 in 2004 and to \$592,000 in 2005. Loss per share of \$0.02 in 2005 is calculated on an average of 28,901,131 shares issued as compared to \$0.07 in 2004 calculated on an average of 12,357,418 shares issued.

### Eight Quarter Review (numbers shown in '000s)

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Sales	\$1,139	\$1,105	\$1,044	\$888	\$1,072	\$645	\$849	\$916
Gross Profit	\$661	\$695	\$611	\$628	\$616	\$435	\$572	\$594
Gross Profit %	58%	63%	58%	70%	57%	67%	67%	65%
Operating Expenses	\$622	\$598	\$633	\$539	\$698	\$544	\$570	\$566
EBITDA	\$39	\$97	(\$22)	\$89	(\$82)	(\$109)	\$2	\$28
Other Expenses	\$229	\$214	\$214	\$215	\$242	\$175	\$141	\$165
Net Income (Loss)	(\$190)	(\$117)	(\$236)	(\$126)	(\$324)	(\$284)	(\$139)	(\$137)
Net Income (Loss) per share (basic & diluted)	(\$0.007)	(\$0.004)	(\$0.008)	(\$0.004)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.01)

Sales by quarter increased throughout the current year. Early in the year the increase was due to OMT Technologies sales. In the fourth quarter, the increase was largely the result of increased Intertain hardware sales resulting from the continued expansion of a major retail customer as well as the first major retail chain deployment of the Retail Radio product. This increase in hardware sales explains why the gross margins in the fourth quarter were down by 4.9% when compared to the third quarter.

The Company operates with tight control on expenses, and as a result, operating expenses in 2005 have remained fairly consistent with those in 2004. While the revenue increase in 2005 was achieved with similar expense levels as 2004, management expects to incur increased expenses in 2006, especially in the sales and service areas to support increases in revenues.

EBITDA is defined as Earnings before interest, tax, depreciation and amortization and is a measure that has no standardized meaning under Canadian GAAP and is considered a non-GAAP earnings measure. Therefore this measure may not be comparable to similar measures reported by other companies. EBITDA can be used to compare the Company's operating performance on a consistent basis. It is presented in this MD&A to provide the reader with additional information regarding the Company's liquidity and ability to generate funds to finance its operations. EBITDA was positive in three quarters in 2005 and amounted to \$206,000 for the year. This is an improvement of \$355,000 over 2004 when EBITDA was a loss of \$149,000 and both of the last two quarters of 2004 were negative.

Other expenses that reduce EBITDA to arrive at net loss include:	2005	2004
Interest, finance and related expense	\$658	\$435
Amortization	\$195	\$272
Other	\$ 19	\$ 16
Total	\$872	\$723

The Company has incurred losses in the last eight quarters of operation. However, the quarterly losses in 2005 showed improvement over the comparable quarters in 2004 with the exception of the second quarter.

## **Fourth Quarter**

Fourth quarter revenue at \$1,139,000 was \$67,000 higher than the same quarter last year and \$34,000 higher than the third quarter this year. The increased sales over the third quarter this year were due to hardware which is a low margin product, and as a result the gross profit for the quarter was actually lower than the third quarter even though sales were higher. The gross margin in this quarter in 2005 was similar to 2004 resulting in an increase in gross profit because of the increase in sales.

Operating expenses at \$622,000 remained flat compared to previous quarters in 2005. Fourth quarter 2004 had operating expenses of \$698,000, which were \$76,000 higher than 2005. Last year's expenses included a one-time charge of \$60,000 related to the financing initiative.

Cash flow in the fourth quarter of 2005 was negative \$74,000. This compares to a positive cash flow in the fourth quarter of 2004 of \$1,111,000. In 2004, the Company had raised \$1,430,000 through new financing. No additional financing occurred in 2005 and none is anticipated in 2006.

## **Changes in Accounting Policies**

No changes in accounting policies were contemplated or implemented in 2005. Details of significant accounting policies are fully disclosed in the financial statements.

## **Liquidity**

OMT was in compliance with its financial covenants with all lenders as at December 31, 2005.

OMT had a working capital balance of \$170,000 as of December 31, 2005, which represents a decrease of \$186,000 since December 31, 2004. The current working capital ratio, at 1.17:1, is slightly less than the 1.25:1 at December 31, 2004. However, total current liabilities are down \$396,000 from a year ago and more than 50% of the current liabilities are a result of deferred income, which does not affect cash. Management does not expect to require any new funding for its operations in the coming year. At the time of writing (April 28, 2006), the Company had no borrowings on its operating line of credit of \$400,000.

## **Related Party Transactions**

In October 2005, ENSIS Growth Fund Inc. provided a guarantee for \$400,000 to the Bank of Nova Scotia in support the Company's Line of Credit. This guarantee is ongoing and requires payments of a monthly administration fee of \$1,000 as well as a monthly standby fee of \$1,000. If the Company actually draws down on the guarantee, then the interest rate would be 20% of the amount received. The Company needed to consummate this related party transaction to support the operating Line of Credit with the Bank.

During the year, the Company made interest payments to its three major shareholders, ENSIS Growth Fund Inc., ENSIS Investment Limited Partnership and Renaissance Capital Manitoba Ventures Fund Limited Partnership in the amounts of \$140,000, \$20,000 and \$80,000 respectively.

The Company has contracted to supply Radio Automation Software and Services to a corporation in which one of OMT's directors is also an officer and director. The amount of the contract is for approximately \$600,000. At December 31, 2005 the project was partially completed and \$60,000 had been invoiced. The project is scheduled for completion in October, 2006.

## **Disclosure Controls**

Under new rules, which became effective on December 31, 2005, all public companies are required to certify that certain procedures have been put in place to ensure that information required to be disclosed is reported in a timely and appropriate manner. The President and CFO have evaluated the effectiveness of the procedures and disclosure controls and are satisfied that the procedures are, in fact, in place and they have reviewed such procedures and find them adequate and effective.

## **Risks and Uncertainties**

We are confident about OMT Inc.'s long-term prospects. However, the risks and uncertainties discussed below must be taken into account, as they may affect our ability to achieve our strategic goals. Investors are therefore advised to consider the following items in assessing the Company's future prospects as an investment.

### *Competition and technological obsolescence*

Our products' markets experience ongoing technological changes and apart from the fact that OMT Inc. must compete with existing technology and service providers, new companies and advancing technologies remain a competitive fact. In order to remain fully competitive in our target markets, OMT must continue to innovate and respond with advanced generations of software, products and services. The inability to react in a timely fashion to technological and competitive changes could have an impact on the value of the Company's intangible assets and our ability to attract and retain our customers. Moreover, the highly competitive market in which we operate could cause the Company to reduce its prices and offer other favorable terms in order to compete successfully with its rivals. These practices could, over time, limit the prices that OMT can charge for its products. If we were unable to offset such potential price reductions by a corresponding increase in sales or to lower expenses, such a decline in revenues from software sales and related products could negatively impact our profit margins and operating results.

### *Growth management and market development*

There can be no assurance that OMT Inc. will be able to significantly develop its market, which would affect its profitability. On the other hand, rapid growth would put significant pressure on management, operations and technical resources. To manage growth, the Company would have to increase its technical and operational complement and manage its staff while effectively maintaining numerous relationships with third parties.

### *Capital requirements*

OMT Inc. would need to find the necessary funds to execute its strategic goals if net revenues from operations were insufficient to do so. In the event that financing were required, there can be no assurance that additional capital will be available under acceptable conditions for OMT and according to terms favorable to its growth.

## **Additional Information**

Additional information related to the Company, including all public filings, is available on SEDAR ([www.sedar.com](http://www.sedar.com)).