

FOR IMMEDIATE RELEASE: AUGUST 27, 2002

Source: Points International Ltd (TSX Venture Exchange: PTS)



## **Points International Ltd reports 2002 second quarter results** **Highlights include 43% revenue growth; international expansion**

**Toronto, August 27, 2002** – Points International Ltd (TSX Venture Exchange: PTS) (formerly Exclamation International Incorporated: XI) today announced results for the three-month period ended June 30, 2002.

“During the quarter, which marked our first year in this business, Points International enhanced its portfolio of products and added key new partners,” said CEO Rob MacLean. “We were pleased to welcome a number of significant partnerships involving multiple *Points Solutions*, including:

- Six Continents Hotels, the world’s largest hotel loyalty program;
- Cathay Pacific Airways, a premier Asian airline; and
- US Airways, another of North America’s top airlines.

“Our team is capitalizing on significant opportunities in a dynamic and growing loyalty industry,” MacLean continued. “We continue to add new partners and build upon existing relationships with the world’s leading loyalty players.”

Points International’s partners now include American Airlines, Air Canada, Six Continents Hotels, US Airways, Cathay Pacific Airways, America West Airlines, Alaska Airlines, Delta Air Lines, Esso Extra, GiftCertificates.com, Sabre, Orbitz and Frequent Flyer Services.

Highlights to date for 2002 include:

- Continued growth of the suite of *Points Solutions* with the marketing of a private label exchange solution. Points International looks forward to capitalizing on significant opportunities for this new technology offering.
- Expansion into international markets, including the appointment of Iain Webster to support business development in Europe, Africa and the Middle East.
- A strategic alliance with Sabre played a role in winning a recent contract with our first partner in Asia, Cathay Pacific, involving *pointspurchase™* and *pointsgift* solutions. The distribution alliance with Sabre, the leading provider of technology solutions for the travel industry, supports worldwide expansion of *Points Solutions*.
- A partnership with Orbitz, the travel site backed by the world’s leading airlines, is designed to support Points International through a number of linking and promotion initiatives.
- Several new partners were welcomed in the second quarter including Cathay Pacific, US Airways, Six Continents Hotels, MilesMall, Fuji, Giftcertificates.ca, Ashford.com and Sprint.
- Building on an existing partnership with Alaska Airlines, a *pointsexchange™* partner, Points International has further contracted with Alaska Airlines for *pointscorporate™*, *pointspurchase* and *pointsgift* solutions, to be launched during 2002.

- Points International's new partnerships continue a trend involving multiple *Points Solutions*. The agreement with Six Continents Hotels, the world's largest hotel loyalty program and our first hospitality partner, involves a portfolio of four *Points Solutions*, and an agreement with US Airways involves multiple solutions including *pointspurchase*, *pointsgift* and *pointscorporate*.

Key business development metrics:

- Points International to date has attracted over 28 partners across the portfolio of *Points Solutions*, with 13 new partners added to date during 2002.
- *Pointsexchange* has now attracted 23 participants, representing over 100 million loyalty program accounts.
- Points International has contracts for an additional 19 custom technology solutions. Nine custom solutions are now operational; with an additional 10 set to launch through 2002. Management looks forward to earning additional contracts for *Points Solutions* through 2002 and beyond.
- Custom technology solutions are a major driver of revenue, including solutions that power the online sale of miles and points to members of leading loyalty programs.
- Points International has powered the online sale and exchange of hundreds of millions of points and miles. The number of points transacted is currently growing at a rate of over 33% per quarter.

Financial highlights:

- The corporation reported revenue of \$427,534 for the second quarter of 2002, compared to revenue of \$299,351 for the first quarter of 2002, an increase of 43%.
- Revenue associated solely with the Points business grew to \$407,972 in the second quarter of 2002 from \$80,186 during the same period of 2001, an increase of 409%.
- A significant majority of revenues (over 85%) are based on recurring transactions resulting from existing contracts for custom technology solutions. Revenue streams associated with existing solutions are experiencing strong organic growth, and management looks forward to an enhanced pace of revenue growth as a number of *Points Solutions* recently contracted become operational and as additional new contracts are earned.
- Points International reported approximately \$5 million in cash at June 30, 2002, compared with \$5.34 million at March 31, 2002 and \$2.89 million at December 31, 2001.
- General and administration expenses were \$2.04 million for the quarter, compared with \$2.21 million for the second quarter of 2001, and \$1.47 million during the first quarter of 2002. Non-recurring events contributed to the rise in expenses during the second quarter, including the development of key strategic alliances and new products to enhance the suite of *Points Solutions*. Management expects to deliver reduced expenses for the third quarter of 2002 that are more in line with those reported for the first quarter of 2002.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative \$1.62 million for the second quarter of 2002, compared with EBITDA of negative \$1.86 million in the second quarter of 2001, and negative \$1.17 in the first quarter of 2002. Management expects to reduce losses through 2002 as revenues increase and costs are managed prudently.
- Non-cash expenses accounted for approximately \$767,000 of the second quarter net loss, including \$602,000 in amortization of assets and deferred financing costs and \$165,000 in interest on the convertible debenture held by CIBC Capital Partners. (This interest accrues during the duration of the term of the debenture. If converted, all of the principal plus accrued interest is convertible into a fixed number of common shares of Points International, with no cash payment of interest.)

“With an enhanced suite of *Points Solutions*, we’re set to deliver business growth within an existing cost structure.” MacLean said. “We look forward to capitalizing on exciting opportunities world-wide.”

### **More about Points International Ltd and *Points Solutions***

Points International’s proprietary technology platform offers a portfolio of innovative solutions to enhance the loyalty experience. With *Points Solutions*, we’re forging mutually rewarding partnerships with the world’s leading loyalty players to deliver compelling value propositions. The cornerstone of our unique loyalty program asset management system is *pointsexchange™* - the world’s first loyalty program currency exchange that allows consumers to earn rewards faster by making all of their points count.

Our growing portfolio of custom solutions includes the innovative *pointspurchase™* solution, which powers the online sale of miles and points to members of leading loyalty programs including American Airlines, Air Canada, America West Airlines and US Airways. Points International is also developing *pointspurchase* solutions for Cathay Pacific Airways, Alaska Airlines and Six Continents Hotels.

*Points Solutions*, built on leading edge technology developed and managed in-house, are internationally marketed to travel providers and loyalty programs through a distribution alliance with Sabre, the leading provider of technology, distribution and marketing services for the travel industry.

Based in Toronto, Points International’s shares trade on the TSX Venture Exchange under the stock symbol PTS. Points.com Inc. is a wholly owned subsidiary of Points International.

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**ATTACHMENT:  
POINTS INTERNATIONAL LTD  
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2002**

# Points International Ltd

## unaudited interim consolidated balance sheets

**as at**

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<u>assets</u>	<b>June 30, 2002</b>	<b>December 31, 2001</b>
<b>CURRENT</b>		
Cash and short-term deposits	\$ 4,985,387	\$ 2,894,380
Accounts receivable	202,968	102,203
Prepaid and sundry assets	<u>457,606</u>	<u>571,875</u>
	5,645,961	3,568,458
<b>LONG-TERM INVESTMENTS</b>	151,629	171,129
<b>FUTURE INCOME TAXES RECOVERABLE</b>	590,000	590,000
<b>CAPITAL ASSETS</b>	2,552,357	3,231,535
<b>INTANGIBLE ASSETS (Note 3)</b>	1,855,649	120,312
<b>DEFERRED FINANCE CHARGES</b>	<u>575,337</u>	<u>739,717</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 11,370,933</b></u>	<u><b>\$ 8,421,151</b></u>
 <u>liabilities</u>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 712,186	\$ 486,603
Deposits	4,617,194	2,096,865
Current portion of obligation under capital leases	<u>684,800</u>	<u>736,749</u>
	6,014,180	3,320,217
<b>OBLIGATION UNDER CAPITAL LEASES</b>	4,310	305,174
<b>LONG-TERM CONVERTIBLE DEBT</b>	6,852,500	6,522,500
<b>NON-CONTROLLING INTEREST</b>	<u>-</u>	<u>134,524</u>
	<u>12,870,990</u>	<u>10,282,415</u>
 <u>shareholders' equity</u>		
<b>CAPITAL STOCK</b>	14,213,686	9,532,173
<b>RETAINED EARNINGS</b>	<u>(15,713,743)</u>	<u>(11,393,437)</u>
	<u>(1,500,057)</u>	<u>(1,861,264)</u>
	<u><b>\$ 11,370,933</b></u>	<u><b>\$ 8,421,151</b></u>

**Points International Ltd**  
**unaudited interim consolidated statements of operations and deficit**

**for the periods ended June 30**

	<b>6 Month Period Jan-June 30/02</b>	<b>6 Month Period Jan-June 30/01</b>	<b>3 Month Period Apr-June 30/02</b>	<b>3 Month Period Apr-June 30/01</b>
REVENUE				
Points.com	\$ 704,542	\$ 80,186	\$ 407,972	\$ 80,186
Interest Income	22,343	190,485	19,562	156,517
Consulting and other	-	31,742	-	19,326
Appreciation of dilution of investment	<u>-</u>	<u>89,035</u>	<u>-</u>	<u>89,035</u>
TOTAL REVENUE	726,885	391,448	427,534	345,064
GENERAL AND ADMINISTRATION	<u>3,511,850</u>	<u>3,158,968</u>	<u>2,044,452</u>	<u>2,205,531</u>
OPERATING LOSS – before interest, amortization and other deductions	<u>(2,784,965)</u>	<u>(2,767,520)</u>	<u>(1,616,918)</u>	<u>(1,860,467)</u>
Other interest expenses	28,835	60,962	6,168	24,028
Interest on convertible debt	330,000	192,500	165,000	165,000
Amortization of capital assets, intangible assets and deferred financing costs	<u>1,060,561</u>	<u>562,128</u>	<u>601,983</u>	<u>525,628</u>
	<u>1,419,396</u>	<u>815,590</u>	<u>773,151</u>	<u>714,656</u>
LOSS – From continuing operations	(4,204,361)	(3,583,110)	(2,390,069)	(2,575,123)
DISCONTINUED OPERATIONS				
Loss from discontinued operations	(115,945)	(941,929)	-	(543,516)
Share of loss of disposed significantly influenced investments	<u>-</u>	<u>(265,028)</u>	<u>-</u>	<u>(168,887)</u>
NET LOSS	(4,320,306)	(4,790,067)	(2,390,069)	(3,287,526)
DEFICIT – Beginning of period	<u>(11,393,437)</u>	<u>(193,947)</u>	<u>(13,323,674)</u>	<u>(1,696,488)</u>
DEFICIT – End of period	<u>\$(15,713,743)</u>	<u>\$(4,984,014)</u>	<u>\$(15,713,743)</u>	<u>\$(4,984,014)</u>
LOSS PER SHARE – From continuing operations	<u>\$(0.08)</u>	<u>\$(0.12)</u>	<u>\$(0.05)</u>	<u>\$(0.08)</u>
NET LOSS PER SHARE	<u>\$(0.08)</u>	<u>\$(0.16)</u>	<u>\$(0.05)</u>	<u>\$(0.11)</u>

**Points International Ltd**  
**unaudited interim consolidated statements of cash flows**  
**for the periods ended June 30**

	<b>6 Month Period Jan-June 30/02</b>	<b>6 Month Period Jan-June 30/01</b>	<b>3 Month Period Apr-June 30/02</b>	<b>3 Month Period Apr-June 30/01</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss from continuing operations	\$ (4,204,361)	\$ (3,583,110)	\$ (2,390,069)	\$ (2,575,123)
Items not affecting cash				
Amortization – capital assets	738,742	665,116	362,354	620,693
Amortization – goodwill	-	25,000	-	12,500
Amortization – deferred financing costs	164,380	81,357	82,190	81,357
Amortization – acquired technology	157,439	-	157,439	-
Appreciation on dilution of investment	-	(89,035)	-	(89,035)
Shares issued in exchange for services	151,379	-	-	-
Interest on convertible debenture	<u>330,000</u>	<u>192,500</u>	<u>165,000</u>	<u>165,000</u>
	(2,662,421)	(2,708,172)	(1,623,086)	(1,784,608)
Changes in non-cash balances related to operations	<u>2,759,416</u>	<u>190,578</u>	<u>1,536,643</u>	<u>94,184</u>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>96,995</u>	<u>(2,517,594)</u>	<u>(86,443)</u>	<u>(1,690,424)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Repayment of loans receivable from significantly influenced investments	19,500	26,666	-	9,292
Acquisition of intangible assets	(3,510)	-	(3,510)	-
Purchase of capital assets, net of proceeds	(59,564)	(1,773,082)	(2,601)	(1,161,870)
Fees paid on acquisition of Points.com Inc. (Note 3)	<u>(139,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>(183,324)</u>	<u>(1,746,416)</u>	<u>(6,111)</u>	<u>(1,152,578)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of capital stock, net of issue costs	2,646,094	591,250	(123,406)	266,250
Issuance of capital stock of Points.com	-	345,413	-	345,413
Repayment of obligations under capital lease	(352,813)	455,890	(140,431)	206,040
Issuance of convertible debenture	-	6,000,000	-	-
Deferred financing charges	<u>-</u>	<u>(976,290)</u>	<u>-</u>	<u>(345,027)</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<u>2,293,281</u>	<u>6,416,263</u>	<u>(263,837)</u>	<u>472,676</u>
<b>INCREASE (DECREASE) IN CASH FROM CONTINUING OPERATIONS</b>	2,206,952	2,152,253	(356,391)	(2,370,326)
<b>CASH FLOWS USED IN DISCONTINUED OPERATIONS</b>	<u>(115,945)</u>	<u>(758,493)</u>	<u>-</u>	<u>(451,998)</u>
<b>INCREASE IN CASH FROM ALL ACTIVITIES</b>	2,091,007	1,393,760	(356,391)	(2,822,324)
<b>CASH AND SHORT-TERM INVESTMENTS – Beginning of period</b>	<u>2,894,380</u>	<u>4,506,685</u>	<u>5,341,778</u>	<u>8,722,769</u>
<b>CASH AND SHORT-TERM INVESTMENTS - End of period</b>	<u>\$ 4,985,387</u>	<u>\$ 5,900,445</u>	<u>\$ 4,985,387</u>	<u>\$ 5,900,445</u>

**POINTS INTERNATIONAL LTD**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2002**

1. Accounting policies

The company's interim financial statements have been prepared using accounting policies consistent with those used for the preparation of its annual financial statements, except that C.I.C.A. Handbook section 3062 has been applied effective January 1, 2002. The effect of this is to reclassify \$50,000 of goodwill, representing the value of the public listing, to intangible assets with an indefinite life. These interim financial statements should be read in conjunction with its financial statements for the 12 month period ended December 31, 2001. They contain all adjustments which management believes necessary for fair presentation of the financial position, results of operations and cash flows.

2. Discontinued operations

During the fourth quarter of the year ended December 31, 2001, the company adopted a formal plan of disposal of Exclamation Europe S.A., ThinOffice Inc. and Exponential Entertainment Inc. As such, the statements of operations present the results of these entities separate from the continuing operations of the company.

3. Acquisition of non-controlling interest in Points.com Inc.

On February 8, 2002, the company received regulatory approval to proceed with a restructuring in which it acquired the minority interests in Points.com Inc. The company issued 7,286,160 common shares in exchange for the 5.9% interest in the shares of Points.com Inc. that it did not own. The company issued 250,000 common shares to the convertible debenture holder as payment for restructuring the terms and paid approximately \$140,000 in legal fees.

The purchase value of \$2,023,790 was allocated to non-controlling interest (\$134,524) and the remainder (\$1,889,266) to intangible assets, representing the value of the technology acquired. The technology will be written off on a straight-line basis over a period of 3 years, commencing in the second quarter of 2002.

4. Segmented information

Reportable segments

The company has only one operating segment whose operating results are regularly reviewed by the company's chief operating decision maker and for which complete and discrete financial information is available. The company's business is carried on in the industry of loyalty program asset management. The attached consolidated balance sheets as at June 30, 2002 and December 31, 2001 present the financial position of this segment. The continuing operations reflected on the attached consolidated statements of operations are those of this operating segment. The discontinued operations relate to the company's previous segment of Internet business generation discontinued in 2001, as described in Note 2 above.

Enterprise-wide disclosures

\$635,606 (June 30, 2001 – \$93,302) of the company's revenues were generated in the U.S., with the remaining revenues generated in Canada. All of the company's assets are located in Canada.

5. Economic dependence

For the six-month period ended June 30, 2002, approximately 86% of the company's revenues are from its two largest customers. (For the six-month period ended June 30, 2001, the largest customer represented 23% of the company's consolidated revenues). In addition, as at June 30, 2002, 88% of the company's deposits are due to these two customers (68% as at December 31, 2001).

6. Comparative figures

Certain accounts of the fiscal 2001 comparative figures have been reclassified to conform with the current period's presentation.