



## NEWS RELEASE

### **Bridges Announces Financial Results**

For immediate release August 26, 2003

Kelowna, B.C. -- Bridges.com Inc. (TSX: BIT) today releases its financial results for the seven months ending June 30, 2003.

On November 6, 2002, Bridges announced the establishment of a June 30th year-end for the Company, a date aligned with customer buying cycles. At that same time, the Company announced a significant restructuring. This is the first fiscal year report since these announcements and it covers the transitional seven-month period ending June 30, 2003.

“At the beginning of the year our Company faced deteriorating education markets and was very inefficient compared with other educational publishing companies. In fact, the viability of the Company may have been in question,” said John Simmons, Chief Executive Officer of Bridges. “Even though this is a shortened year, a tremendous amount of change and progress has been made to the Company.”

During the past seven months, Bridges reduced its workforce from 167 to 114 and consolidated all departmental operations into Kelowna. Overall operating costs have been reduced by 19% and expenditures on capital assets have been reduced by more than 60%.

“While our costs have been reduced, the true measure of our work during the past seven months is the success that we have had in all other aspects of our business,” said John Simmons. “In spite of weak markets and unforeseen deterioration in exchange rates, we invoiced more than \$7.0 million in the period. These sales efforts were supported by all of our operating departments, each of which has produced more, with less cost. I am exceptionally proud of our entire staff effort and admire how they took up the challenge to improve Bridges and make it prosper. We now have a strong balance sheet, an efficient cost structure and are prepared for future growth.”

During the 7-months ending June 30, 2003, Bridges invoiced \$7.2 million compared to invoices issued in the comparable period ending June 30, 2002 of \$6.9 million. The majority of the invoices issued in both periods were for Bridges annual subscription products. On November 6, 2002, the Company announced improvements in service levels for subscription products that made it appropriate that revenue for these services be recognized ratably over the entire term of each subscription. Even though the aggregate value of invoices issued in the Company was greater in fiscal 2003, recognized revenue is lower than in 2002 as the fully ratable revenue recognition policy was applied prospectively beginning December 1, 2002.

Bridges Annual General Meeting will be held in Kelowna at 1 p.m. PDT on November 14, 2003. The Company’s Annual Report -- including the full version of its Audited Financial Statements and Management Discussion and Analysis -- will be mailed to shareholders prior to the meeting. At the meeting, Bridges’ management will present its plans for the future growth and development of the Company.

**Consolidated Statements of Operations and Deficit**

|  | Six months ended June 30<br>2003 | Seven months ended June 30<br>2003 | Six months ended June 30<br>2002 |
|--|----------------------------------|------------------------------------|----------------------------------|
| REVENUE  | \$ 4,086,579                     | \$ 4,815,682                       | \$ 6,603,718                     |
| COSTS OF REVENUE   | 2,627,192                        | 3,100,601                          | 2,801,241                        |
| GROSS MARGIN   | 1,459,387                        | 1,715,081                          | 3,802,477                        |
| EXPENSES   |                                  |                                    |                                  |
| Sales and marketing  | 2,866,131                        | 3,261,896                          | 3,875,951                        |
| Research and development   | 43,453                           | 63,670                             | 168,142                          |
| General and administrative   | 1,191,276                        | 1,357,843                          | 1,487,437                        |
|  | 4,100,860                        | 4,683,409                          | 5,531,530                        |
| (LOSS) EARNINGS BEFORE RESTRUCTURING CHARGE,<br>IMPAIRMENT OF PROPERTY AND EQUIPMENT AND GOODWILL,<br>AMORTIZATION, FOREIGN EXCHANGE AND OTHER (LOSS) INCOME<br>AND INCOME TAXES | (2,641,473)                      | (2,968,328)                        | (1,729,053)                      |
| Restructuring charge   | -                                | -                                  | -                                |
| Amortization of property and equipment   | (631,581)                        | (741,940)                          | (560,001)                        |
| Impairment of property and equipment   | (781,734)                        | (781,734)                          | -                                |
| Amortization of intangibles  | -                                | -                                  | (577,340)                        |
| Foreign exchange and other (loss) income   | (446,697)                        | (392,736)                          | (37,102)                         |
| LOSS BEFORE INCOME TAXES AND IMPAIRMENT<br>OF GOODWILL   | (4,501,485)                      | (4,884,738)                        | (2,903,496)                      |
| Income tax (recovery) expense  | (14,099)                         | (12,349)                           | (1,272,363)                      |
| LOSS BEFORE IMPAIRMENT OF GOODWILL   | (4,487,386)                      | (4,872,389)                        | (1,631,133)                      |
| Impairment of goodwill   | -                                | -                                  | -                                |
| NET LOSS   | (4,487,386)                      | (4,872,389)                        | (1,631,133)                      |
| DEFICIT, BEGINNING OF PERIOD   | (9,684,546)                      | (9,299,543)                        | (2,750,391)                      |
| Excess of purchase cost over carrying value of common<br>shares cancelled  | -                                | -                                  | (739,517)                        |
| DEFICIT, END OF PERIOD   | \$ (14,171,932)                  | \$ (14,171,932)                    | \$ (5,121,041)                   |
| Basic loss per share before impairment of goodwill   | \$ (0.37)                        | \$ (0.40)                          | \$ (0.13)                        |
| Basic loss per share   | \$ (0.37)                        | \$ (0.40)                          | \$ (0.13)                        |
| Weighted average number of shares used to calculate<br>basic loss per share  | 12,179,303                       | 12,179,303                         | 12,707,797                       |

**BRIDGES.COM INC. Consolidated Balance Sheets**

|  | June 30<br>2003 | November 30<br>2002 |
|--|-----------------|---------------------|
| <b>ASSETS</b>                                |                 |                     |
| Current                                      |                 |                     |
| Cash and cash equivalents                    | \$ 2,416,227    | \$ 4,328,116        |
| Accounts receivable                          | 3,641,053       | 3,987,314           |
| Prepaid expenses and other                   | 346,535         | 656,875             |
|  | 6,403,815       | 8,972,305           |
| Restricted cash                              | 200,000         | -                   |
| Property and equipment, net                  | 6,700,471       | 7,928,313           |
|  | \$ 13,304,286   | \$ 16,900,618       |
| <b>LIABILITIES</b>                           |                 |                     |
| Current                                      |                 |                     |
| Accounts payable and accrued liabilities     | \$ 1,745,376    | \$ 2,345,722        |
| Accrued restructuring charge                 | 824,682         | 2,330,856           |
| Current portion of long-term debt            | 216,000         | -                   |
| Current portion of capital lease obligations | -               | 74,193              |
| Deferred revenue                             | 5,968,896       | 3,592,126           |
|  | 8,754,954       | 8,342,897           |
| Long-term debt                               | 864,000         | -                   |
|  | 9,618,954       | 8,342,897           |
| <b>SHAREHOLDERS' EQUITY</b>                  |                 |                     |
| Common stock                                 | 17,857,264      | 17,857,264          |
| Deficit                                      | (14,171,932)    | (9,299,543)         |
|  | 3,685,332       | 8,557,721           |
|  | \$ 13,304,286   | \$ 16,900,618       |

| <b>Consolidated Statements of Cash Flows</b>                        | Six months ended June 30 | Seven months ended June 30 | Six months ended June 30 |
|---|--------------------------|----------------------------|--------------------------|
|   | 2003                     | 2003                       | 2002                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                          |                            |                          |
| Net loss for the period   | \$ (4,487,386)           | \$ (4,872,389)             | \$ (1,631,133)           |
| Items not affecting cash  |                          |                            |                          |
| Amortization of property and equipment                              | 631,581                  | 741,940                    | 560,001                  |
| Impairment of property and equipment                                | 781,734                  | 781,734                    | -                        |
| Amortization of intangibles   | -                        | -                          | 577,340                  |
| Non-cash portion of restructuring charge                            | -                        | -                          | -                        |
| Impairment of goodwill  | -                        | -                          | -                        |
| Future Income tax (recovery) expense                                | -                        | -                          | (1,293,561)              |
| Changes in operating assets and liabilities                         | 681,621                  | 838,687                    | 1,783,048                |
|   | (2,392,450)              | (2,510,028)                | (4,305)                  |
| <b>CASH FLOW FROM INVESTING ACTIVITY</b>                            |                          |                            |                          |
| Purchase of property and equipment, net of related accounts payable | (221,123)                | (254,936)                  | (2,876,345)              |
|   | (221,123)                | (254,936)                  | (2,876,345)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                          |                            |                          |
| Issuance of common shares   | -                        | -                          | 22,625                   |
| Shares purchased for cancellation                                   | -                        | -                          | 444,618                  |
| Shares purchased and cancelled                                      | -                        | -                          | (1,212,153)              |
| Repayment of obligations under capital lease                        | (13,160)                 | (26,925)                   | (59,127)                 |
| Restricted cash   | (200,000)                | (200,000)                  | -                        |
| Proceeds from long-term debt  | 1,200,000                | 1,200,000                  | -                        |
| Repayment of obligations under long-term debt                       | (120,000)                | (120,000)                  | -                        |
|   | 866,840                  | 853,075                    | (804,037)                |
| <b>NET CASH OUTFLOW DURING THE PERIOD</b>                           | (1,746,733)              | (1,911,889)                | (3,684,687)              |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>               | 4,162,960                | 4,328,116                  | 6,050,667                |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                     | \$ 2,416,227             | \$ 2,416,227               | \$ 2,365,980             |
| Supplemental Cash Flow Disclosure:                                  |                          |                            |                          |
| Interest paid   | 47,578                   | 48,396                     | 17,980                   |

### About Bridges

Bridges provides products and services for achieving education and career success. Over 14,000 schools, libraries, employment centres, military sites, post-secondary schools and rehabilitation facilities subscribe to Bridges' customized products. Bridges serves the needs of millions of people seeking education, career planning or test preparation assistance. For more information, visit <http://www.bridges.com>. The Company is listed on the Toronto Stock Exchange under the symbol: BIT.

### Forward-Looking Statements

The foregoing includes forward-looking statements which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management.

These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement to the Company's services and products; customer demand for its products and services; expectations concerning future revenue and earnings; control of costs and expenses; loss of key employees; stock market volatility; changes in laws and regulations; Bridges' ability to compete successfully and adapt to technological advances and changing industry standards; currency exchange rate fluctuations; economic, political, and other risks associated with international sales and operations; U.S. government regulation; price and product competition; the ability to implement in a timely manner the Company's restructuring plans; the ability to form and implement alliances, and other factors and risks.

All forward-looking statements in this news release are based on management's reasonable beliefs, intentions, and expectations with respect to future events and are subject to certain risks, uncertainties, and assumptions as of the date of this release. In light of the many risks and uncertainties, readers are cautioned not to put undue reliance on such forward-looking statements which are not a guarantee of performance and are subject to a number of uncertainties and other factors -- many of which are outside of Bridges' control -- that could cause actual results, performances or achievements of Bridges to differ materially from any future results, performances or achievements expressed or implied by such forward-looking statements. The Company cannot give assurance that the forward-looking statements contained in this news release will be realized. Bridges assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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