

Source: Exclamation International Incorporated (TSX Venture Exchange: XI)

## **Exclamation reports 2002 first quarter results**

### **Points.com operations deliver progress**

**Toronto, May 14, 2002** – Exclamation International Incorporated (TSX Venture Exchange: XI) today announced results for the three-month period ended March 31, 2002. In accordance with Exclamation's restructuring plan announced in November 2001, operations of Exclamation during 2002 will more closely reflect the operations of its subsidiary Points.com Inc.

Points.com, a business launched in the second quarter of 2001, has developed a portfolio of innovative technology solutions to enhance loyalty programs. The company has delivered a growing number of partnerships with the world's leading loyalty players, including American Airlines, Air Canada, Six Continents Hotels, US Airways, America West Airlines, Delta Air Lines, Esso Extra, GiftCertificates.com, Sabre Holding Corporation, Orbitz and Frequent Flyer Services.

"Points.com has made exciting progress in early 2002," said Rob MacLean, CEO of both Points.com and Exclamation. "In less than a year, Points.com has established a strong foundation for growth, and we look forward to further enhancing revenues with significant new partnerships added in recent weeks. We believe there is significant global market potential for transactions involving Points.com solutions."

Highlights to date for 2002 include:

- Development of a portfolio of new custom technology solutions to complement the original *pointsexchange*<sup>™</sup> and *pointspurchase*<sup>™</sup> solutions launched in the second and third quarters of 2001. Additional Points.com solutions marketed in early 2002 include *pointscorporate*<sup>™</sup>, *pointstransfer*<sup>™</sup>, *pointsintegrate*<sup>™</sup> and *pointsdonate*<sup>™</sup>. (More information about these solutions is included in Exclamation's 2001 Annual Report).
- A partnership with Six Continents Hotels, the world's largest hotel loyalty program. Signed in April, the comprehensive agreement with our first hospitality partner involves a portfolio of four solutions, including *pointsexchange*, *pointspurchase* and *pointstransfer*, along with an additional custom solution
- In April, a landmark distribution alliance announced with Sabre, the leading provider of technology solutions for the travel industry, to take *Points.com solutions* worldwide.
- In March, a linking and promotion agreement launched with Orbitz, the travel site backed by the world's leading airlines, to enhance the reach of *Points.com solutions*.
- An agreement with US Airways, launched in May, involving multiple solutions including *pointspurchase* and *pointscorporate*.
- During February, \$3 million raised in a private placement financing to help accelerate the growth of Points.com.

Key metrics:

- To date, Points.com has signed agreements with over 27 partners across the portfolio of *Points.com solutions*. 11 new partners were added to date during 2002.
- *pointsexchange* has attracted 22 partners, representing over 100 million loyalty program accounts, and has facilitated the exchange of millions of points and miles.
- Points.com has contracted for an additional 9 custom technology solutions. Of the custom solutions contracted, 3 were operational in the first quarter of 2002. The remaining 6 are expected to become operational through the second and third quarters of 2002.

- Custom technology solutions are a key driver of revenue for Points.com, including the *pointspurchase* solution, which has powered the sale of hundreds of millions of miles and points to members of leading loyalty programs including American Airlines, Air Canada and American West Airlines. US Airways and Six Continents hotels have also recently become *pointspurchase* customers.

#### Financial Highlights:

- Cash flow provided by operations grew by \$183,000 over the quarter. Exclamation held \$5.34 million in cash at March 31, 2002, up from \$2.89 million in cash at December 31, 2001. Total current assets at March 31, 2002 were \$6.06 million, compared with \$3.57 million at December 31, 2001.
- Exclamation reported revenue of approximately \$300,000 for the first quarter of 2002, compared with about \$46,000 for the same period in 2001, an increase of over 550%. More than 85% of revenues are based on recurring transactions.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative \$1.17 million, compared with EBITDA of negative \$907,000 in the first quarter of 2001. (The company was in its early stages of development during the first quarter of 2001.)
- Non-cash expenses accounted for over \$624,000 of the 2002 first quarter loss, including close to \$459,000 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 Exclamation, with no cash payment of interest.)

“Points.com looks forward to building our business through a growing number of partnerships with leading players in the loyalty and travel industry,” MacLean said. “Our expanding portfolio of *Points.com solutions* offers a great opportunity to realize economies of scale and build revenues at a healthy pace.”

#### About Exclamation

Exclamation International Incorporated is the parent holding company of Points.com Inc. Exclamation shares trade on the TSX Venture Exchange under the stock symbol XI.

#### More about Points.com and *Points.com solutions*

Points.com’s proprietary technology platform offers a portfolio of innovative solutions to enhance the loyalty experience. With *Points.com 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 those from American Airlines, Air Canada, America West Airlines and US Airways.

*Points.com 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.

More information is available at [www.exclamation.com](http://www.exclamation.com) and [www.points.com](http://www.points.com).

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For more information, please contact:

Moira Wright  
Exclamation / Points.com  
416-596-3257  
[moira.wright@exclamation.com](mailto:moira.wright@exclamation.com)  
[moira.wright@points.com](mailto:moira.wright@points.com)

THE TSX VENTURE EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT  
RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE

**ATTACHMENT:  
EXCLAMATION INTERNATIONAL INCORPORATED  
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2002**

**Exclamation International Incorporated**  
**unaudited interim consolidated balance sheets**

**as at March 31, 2002**

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assets

	<b>March 31, 2002</b>	<b>December 31, 2001</b>
<b>CURRENT</b>		
Cash and short-term deposits	\$ 5,341,778	\$ 2,894,380
Accounts receivable	105,973	102,203
Prepaid and sundry assets	<u>612,020</u>	<u>571,875</u>
	6,059,771	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>	2,912,110	3,231,535
<b>INTANGIBLE ASSETS (Note 3)</b>	2,009,578	120,312
<b>DEFERRED FINANCE CHARGES</b>	<u>657,527</u>	<u>739,717</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,380,615</u></u>	<u><u>\$ 8,421,151</u></u>

liabilities

<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 703,942	\$ 486,603
Deposits and deferred revenue	3,146,214	2,096,865
Current portion of obligation under capital leases	<u>736,749</u>	<u>736,749</u>
	4,586,905	3,320,217
<b>OBLIGATION UNDER CAPITAL LEASES</b>	92,792	305,174
<b>LONG-TERM CONVERTIBLE DEBT</b>	6,687,500	6,522,500
<b>NON-CONTROLLING INTEREST</b>	<u>-</u>	<u>134,524</u>
	<u><u>\$ 11,367,197</u></u>	<u><u>\$ 10,282,415</u></u>

shareholders' equity

<b>CAPITAL STOCK</b>	\$ 14,337,092	\$ 9,532,173
<b>RETAINED EARNINGS</b>	<u>(13,323,674)</u>	<u>(11,393,437)</u>
	<u>1,013,418</u>	<u>(1,861,264)</u>
	<u><u>\$ 12,380,615</u></u>	<u><u>\$ 8,421,151</u></u>

**Exclamation International Incorporated**  
**unaudited interim consolidated statements of operations and deficit**

**for the periods ended March 31**

	<b>Quarter Ending Mach 31, 2002</b>	<b>Quarter Ending March 31, 2001</b>
REVENUE		
Points.com	\$ 296,570	\$ -
Interest Income	2,781	33,968
Consulting and other	<u>-</u>	<u>12,416</u>
TOTAL REVENUE	299,351	46,384
GENERAL AND ADMINISTRATION	<u>1,467,398</u>	<u>953,437</u>
OPERATING LOSS – before interest, amortization and other deductions	<u>(1,168,047)</u>	<u>(907,053)</u>
Other interest expenses	22,667	36,934
Interest on convertible debt	165,000	27,500
Amortization of capital assets and deferred financing costs	<u>458,578</u>	<u>36,500</u>
	<u>646,245</u>	<u>100,934</u>
LOSS – From continuing operations	(1,814,292)	(1,007,987)
DISCONTINUED OPERATIONS		
Loss from discontinued operations	(115,945)	(398,413)
Share of loss of disposed significantly influenced investments	<u>-</u>	<u>(96,141)</u>
NET LOSS	(1,930,237)	(1,502,541)
DEFICIT – Beginning of period	<u>(11,393,437)</u>	<u>(193,946)</u>
DEFICIT – End of period	<u>\$ (13,323,674)</u>	<u>\$ (1,696,487)</u>
LOSS PER SHARE – From continuing operations	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>
NET LOSS PER SHARE	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>

**Exclamation International Incorporated**  
**unaudited interim consolidated statements of cash flows**

**for the periods ended March 31**

	<b>Quarter Ending March 31, 2002</b>	<b>Quarter Ending March 31, 2001</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations	\$ (1,814,292)	\$ (1,007,987)
Items not affecting cash		
Amortization – capital assets	376,388	44,423
Amortization – goodwill	-	12,500
Amortization – deferred financing costs	82,190	-
Shares issued in exchange for services	151,379	-
Interest on convertible debenture	<u>165,000</u>	<u>27,500</u>
	(1,039,335)	(923,564)
Changes in non-cash balances related to operations	<u>1,222,773</u>	<u>96,394</u>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>183,438</u>	<u>(827,170)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment of loans receivable from significantly influenced investments	19,500	17,374
Purchase of capital assets, net of proceeds	(56,963)	(611,212)
Fees paid on the acquisition of Points.com Inc. (Note 3)	<u>(139,750)</u>	<u>-</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<u>(177,213)</u>	<u>(593,838)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock, net of issue costs	2,769,500	325,000
Repayment of obligations under capital lease	(212,382)	249,850
Issuance of convertible debenture	-	6,000,000
Deferred financing charges	<u>-</u>	<u>(631,263)</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<u>2,557,118</u>	<u>5,943,587</u>
<b>INCREASE IN CASH FROM CONTINUING OPERATIONS</b>	2,563,343	4,522,579
<b>CASH FLOWS USED IN DISCONTINUED OPERATIONS</b>	<u>(115,945)</u>	<u>(306,495)</u>
<b>INCREASE IN CASH FROM ALL ACTIVITIES</b>	2,447,398	4,216,084
<b>CASH AND SHORT-TERM INVESTMENTS - Beginning of period</b>	<u>2,894,380</u>	<u>4,506,685</u>
<b>CASH AND SHORT-TERM INVESTMENTS - End of period</b>	<u>\$ 5,341,778</u>	<u>\$ 8,722,769</u>

**EXCLAMATION INTERNATIONAL INCORPORATED**  
**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 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 March 31, 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

\$247,136 (March 31, 2001 - nil) 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. Comparative figures

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