



EVOLVED DIGITAL SYSTEMS INC. ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2005, EBITDA AT BREAK-EVEN, SECOND CLOSING OF FINANCING COMPLETED

Montréal, (Québec, Canada) – August 10, 2005 / CNW/ - Evolved Digital Systems Inc. (TSX: EVD), a leading healthcare technology solutions company, today announced its results for the quarter and six months ended June 30, 2005.

“We continue to make progress with our financial performance. Our focus has shifted from cost reduction to revenue growth. Additional customer contracts can now be added to a very manageable infrastructure base that can be leveraged for profitable growth,” stated Paul Hoyt, Evolved Digital Systems’ President and CEO.

Revenues for the six months ended June 30, 2005 were \$8.6 million as compared to revenues of \$8.5 million for the first six months of 2004. Excluding the effect of exchange rate fluctuation, revenues increased by \$0.7 million due to revenue from an Original Equipment Manufacturer (OEM) development agreement established during the end of the second quarter of 2004 and \$0.2 million related to growth in technology services revenue among Evolved’s existing customer base. The increase in revenue was partially offset by a decrease of \$0.3 million related to the timing of equipment sales and a decline in transcription revenue.

Revenues for the second quarter 2005 totaled \$4.1 million, down 6.7% compared to revenues of \$4.4 million for the first quarter 2004. Excluding the effect of exchange rate fluctuation, revenues for the second quarter of 2005 were flat compared to the second quarter of 2004. While revenue from the OEM development agreement described above caused an increase in 2005 revenues of \$0.4 million, this increase was offset by a decline in volume from existing customers related to technology services and transcription revenue.

Loss from operations for the three and six-month periods ended June 30, 2005 was \$0.8 million and \$1.3 million, respectively, compared to loss from operations of \$2.0 million and \$7.6 million for the three and six-month periods ended June 30, 2004. Evolved feels that EBITDA, a financial measure that is not standardized under Canadian generally accepted accounting principles (GAAP), is most directly comparable to the GAAP measure of loss from operations. EBITDA for the second quarter of 2005 was a loss of \$0.2 million compared to \$0.9 million loss for the second quarter of 2004. EBITDA for the six months ended June 30, 2005 was break-even compared to a loss of \$5.4 million for the prior comparable period. The increase of \$0.7 million for the quarter and \$5.4 million for the first half of 2005 is primarily attributable to the continued reduction in operating costs as a result of the 2003 business combination that created Evolved as well as management’s focus on continuing to capitalize on the synergies created in that business combination.

Net loss for the second quarter 2005 was \$1.1 million (or \$0.02 per share) versus a net loss of \$2.0 million for the second quarter 2004 (or \$0.03 per share). Net loss for the six months ended June 30, 2005 was \$1.8 million (or \$0.03 per share) compared to \$7.6 million (or \$0.13 per share) for the first six months of 2004.

Evolved completed a debt and equity financing package of up to \$8.2 million on February 18, 2005. The initial closing of \$6.0 million consisted of a \$3.0 million term loan from Argosy Bridge Fund, L.P. II (Argosy) and a \$3.0 million private placement of a newly created class of shares, the First Series A Preferred Shares, issued to two existing shareholders. On July 25, 2005, Evolved completed the second closing of its debt financing package with Argosy consisting of a \$0.5 million term loan. Evolved also completed the second and third closings of the private placement of an additional 3.4 million First Series A Preferred Shares for proceeds of \$1.2 million. An additional debt closing of up to \$0.5 million is subject to certain terms and conditions and anticipated to occur prior to August 30, 2005.

Financial highlights are as follows:

Three months ended June 30,	2005	2004	% Change
Total revenue	\$4,133,733	\$4,428,496	(6.7%)
Loss from operations	799,715	1,989,242	(59.8%)
Net loss	1,123,000	1,954,975	(42.6%)
Basic and diluted loss per share	\$0.02	\$0.03	—
Weighted average number of common shares outstanding during the period	56,488,540	56,488,540	—

Six months ended June 30,	2005	2004	% Change
Total revenue	\$8,565,640	\$8,535,786	0.3%
Loss from operations	1,264,199	7,534,453	(38.8%)
Net loss	1,784,871	7,555,574	(76.4%)
Basic and diluted loss per share	\$0.03	\$0.13	—
Weighted average number of common shares outstanding during the period	56,488,540	56,488,540	—

Reconciliation of EBITDA and Loss from Operations

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Loss from operations	\$ (799,715)	\$(1,989,242)	\$(1,264,199)	\$(7,534,453)
Other income	25,700	76,940	36,461	97,288
Depreciation and amortization	566,944	1,012,645	1,216,502	2,045,324
EBITDA	\$ (207,071)	\$(899,657)	\$ (11,236)	\$(5,391,841)

About Evolved

With over 100 customer locations across North America, Evolved has become a leading healthcare technology solutions company. Its services and enabling technologies transform hospital and clinic imaging departments from manual to digital-based systems, improving efficiency, turnaround time, and patient care. Evolved is a publicly traded company listed on the Toronto Stock Exchange. Corporate headquarters are based in Laval, Quebec. Evolved's U.S. offices are located in Brentwood, Tennessee.

Non GAAP Financial Measures

Certain financial measures used in this press release do not have any standardized meaning under Canadian GAAP. Earnings before interest, taxes, depreciation and amortization (EBITDA) is a financial metric used to analyze operating results. We define EBITDA as net loss plus depreciation and amortization, including loss on impairment of assets, and net interest expense. EBITDA is used as a benchmark of operating performance and is a key component of certain of our restrictive debt covenants. A reconciliation of EBITDA to operating loss is presented where EBITDA is first discussed. This non-GAAP financial measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

For Further Information:

For more information, contact EVOLVED at 877-5EVOLVED or visit the company website at www.evolveddigital.com

FORWARD-LOOKING STATEMENTS: Certain statements in this communication may constitute forward-looking statements. They are based on management's current expectation and could be affected by numerous factors and are subject to various risks and uncertainties. Certain of those risks and uncertainties are discussed in company filings with the Canadian Securities Commission. Do not rely on any forward-looking statements, as we cannot predict or control many of the factors that ultimately may affect our ability to achieve the results estimated. We make no promise to update any forward-looking statement, whether as a result of changes in underlying factors, new information, or future events.

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