

## Attention Business/Financial Editors:

# Lyrtech Reports Second Quarter and First Half 2004 Results

Lyrtech will host a conference call Friday, August 20, at 9:00 a.m. EDT

### Recent Highlights:

- 61% increase in first half revenues
- Debt-free for third consecutive quarter
- Strong market acceptance of solutions and products

QUEBEC CITY, Aug. 19 /CNW Telbec/ - Lyrtech Inc. (TSX-V: LYT), worldwide leader in Digital Signal Processing (DSP) technologies, announced today its financial results for the second quarter and first six months ended June 30, 2004.

"We are continuing to invest in growth and build revenue momentum based on the global recognition of our intellectual property," said Miguel Caron, Lyrtech's President and CEO. "The market is very receptive to our solutions and approach, and our increased sales and marketing efforts are beginning to generate positive results."

Contract revenues in the first six months ended June 30, 2004 totalled \$2,123,282 (all currency figures are in CDN\$), a 61% increase compared to \$1,316,412 in the same period last year. The Company hired a marketing team in

the third quarter of 2003 and the revenue increase to date in 2004 is significant considering the typical sales cycle of six to twelve months in Lyrtech's business.

Gross profit increased to \$1,460,252 compared to \$502,444 in the second half of 2003 and gross margin was 69% compared to 38%. The margin improvement reflects the strong year-over-year growth in sales which are increasing at a faster rate than costs.

Selling and marketing expenses increased to \$659,358 compared to \$48,921 in the second half of 2003. Following its recapitalization in the second half of 2003, the Company hired and trained a sales team which has been ramping up sales and marketing activities, accounting for the year-over-year increase in selling and marketing expenses.

Administrative expenses, before stock-based compensation expenses, were \$844,528 compared to \$506,030 in the first half last year. This increase reflects the development of an infrastructure to support Lyrtech's growth and market expansion in 2004, whereas the company was in a cost-cutting and restructuring mode during the first half of 2003.

Research and development expenses, net of tax credits, were \$327,085 to support new product development and innovation in existing technology platforms recognized in the global DSP marketplace. This compares to \$158,443 of net R&D expenses in the first half of 2003.

Net loss for the first six months of 2004, before stock-based compensation expenses of \$132,992, decreased to \$362,705 compared to a net loss of \$453,721 for the same period last year.

During the first quarter of 2004, the Company adopted the amended recommendations of the Canadian Institute of Chartered Accountants for accounting for stock-based compensation. The Company has selected the retroactive application without restatement method, implemented effective January 1, 2004. As a result, the opening balance of retained earnings for 2004 was reduced by \$2,594,614.

As of June 30, 2004, Lyrtech held cash and cash equivalents of \$293,399 compared to short-term bank borrowings of \$633,781 at the same time last year.

Working capital was \$1,639,639 compared to \$2,158,875 at the end of 2003 and negative working capital of \$1,098,013 as of June 30, 2003. The Company was virtually debt-free for a third consecutive quarter compared to total debt of \$1,011,247 at the end of the second quarter of 2003.

#### Second quarter results

Contract revenues in the second quarter increased to \$1,061,707 or 78% compared to \$596,581 in the same period in 2003 and gross profit rose to \$595,868 or 57% compared to \$378,211 in the second quarter of 2003.

Selling and marketing expenses increased to \$339,966 compared to the second quarter of 2003 when the Company did not have a sales force. Administrative expenses, before stock-based compensation expenses, were \$518,036 compared to \$214,323 in the second quarter of 2003. Research and development expenses, net of tax credits, were \$139,601 compared to \$121,839 of net R&D expenses in the second quarter of 2003.

Net loss for the second quarter, before \$125,317 of stock-based compensation expenses, was \$423,081 compared to a net loss of \$72,933 in the same period last year.

#### Board of Directors

Effective immediately, Lyrtech announces the following changes to the Board of Directors:

- Pierre Lortie, a director, has been elected Chairman of the Board, succeeding Robert Brown who stepped down as a result of his recent appointment as President and CEO of CAE Inc. Mr. Brown remains a significant shareholder of Lyrtech.
- Chahram Bolouri, President of Nortel Networks, and Alain Lambert, President of One and Company Communications, have resigned as directors to devote more time to their respective companies.

"Messrs. Brown, Bolouri and Lambert have made an important contribution to Lyrtech during their time on the Board of Directors and they will remain valuable mentors and contacts in the future. I would like to thank them on behalf of all shareholders. In the coming weeks, we will announce the appointment of new directors who will support Lyrtech's continued growth and market penetration," stated Mr. Caron.

#### Outlook

Lyrtech has historically recorded higher sales in the second half of the calendar year than in the first half. For the second half of 2004, Lyrtech will benefit from sales and marketing activities that have been building since the third quarter of 2003, as well as from improving business conditions in certain vertical markets it serves.

"We are looking forward to a strong second half, based on contracts in the pipeline and the anticipated success of our sales and marketing initiatives, and we are targeting profitable results for the year as a whole," added Mr. Caron.

#### Conference call

A conference call hosted by Miguel Caron, President and CEO, and Vincent

Bélanger, Chief Financial Officer, will be held on Friday, August 20, 2004, beginning at 9:00 a.m. To participate, please call 1-800-814-3911.

Rebroadcast of the conference call will be available as of August 20, 2004 as of 11:00 a.m. until August 27, 2004 at 1-800-408-3053 (access code 21091536 (pound key)).

#### Availability of financial statements

Financial statements for the second quarter of 2004 and management's discussion and analysis of results of operations and financial position have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### About Lyrtech

Lyrtech ([www.lyrtech.com](http://www.lyrtech.com)) is a recognized player in the global digital signal processing (DSP) market, with 20 years of experience in the delivery of advanced technology solutions and sales in over 20 countries. DSP technologies are central to network and wireless telecommunications, audio and video processing, and the electronics of defense and aerospace systems. The company works in partnership with industry leaders such as Texas Instruments, Xilinx, The MathWorks, StarCore, Altera and Analog Devices. Its customer base includes many prestigious names such as Nokia, Nortel, Fujitsu, Sony, GM, Honeywell, Toyota, Honda, BAE Systems and EADS.

#### Forward-Looking Statements

The statements herein that are not historical facts are forward-looking statements. These statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently projected due to various factors including economic and market uncertainty, capital spending levels in our market segments, success of new product launches, the competitive landscape, and the successful integration of acquisitions. Other risk factors that may affect our future performance and operations are detailed in our 2003 Annual Report which is available on SEDAR.

TSX Venture Exchange has neither approved nor disapproved the information contained herein and accepts no responsibility for it.  
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