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XENTEL REPORTS SECOND QUARTER JUNE 30 2009 RESULTS

Table with 5 columns: Period ended June 30, Three months (2009, 2008), Six months (2009, 2008). Rows include Revenue, Gross Margin, Net earnings, EBITDA, EPS, fully diluted, and EBITDA, per share, fully diluted.

*EBITDA – Net Earnings before income taxes, interest, depreciation and amortization. Since Gross Margin, EBITDA and diluted EBITDA per share have no standardized GAAP meaning, the comparability of these amounts to other enterprises may not be possible if the basis of calculation of differs. Restated – In 2008, effective January 1, 2007 the Company wrote off the work in process carried on its balance sheet together with the effect on future income taxes, retained earnings and accumulated other comprehensive income with the result that certain balances were restated from what was originally reported in 2008.

Calgary, Alberta, August 21, 2009: Xentel DM Incorporated (TSX Venture Exchange: XDM) a North American specialty entertainment and relationship marketing company, today reported its financial results for the three and six months ended June 30, 2009.

This quarter now marks five consecutive quarters of positive net earnings and seven consecutive quarters of positive EBITDA.

The Company declared and paid its first dividend in the second quarter 2009. A special dividend of \$0.02 per share was paid to shareholders of record as of May 14, 2009 on May 29, 2009. The Company was in a position to declare the dividend based on the strong earnings performance in 2008 which has continued into 2009.

Net earnings for the three months ended June 30, 2009 were \$681 thousand compared to net earnings for the same period in 2008, as restated, of \$498 thousand. EBITDA for the same periods were \$1,483 thousand and 1,458 thousand respectively.

For the six months ended June 30, 2009 and 2008 net earnings were \$1,254 thousand and \$783 thousand respectively and EBITDA was \$2,722 thousand and \$2,749 thousand respectively

Strategically, the Company is focusing on profit optimization which has resulted in some reductions in gross revenues. Gross margin percentages are maintaining while continual monitoring and significant reductions of corporate overhead and branch administration costs has produced positive results. Having effectively eliminated long term debt and fully amortized acquisition intangible assets there are significant permanent reductions in those cost categories as well.

“Being able to consistently maintain profitability during these difficult economic is important. Our objective is to continue on the same path going forward.”, David Winograd, President stated. “We are very pleased with outcomes of the profit optimization program.”

Michael Platz, Chairman, noted, “I am pleased with the efforts put forth in achieving our objectives. The Xentel team is committed to continuing its outstanding performance and achievement of such positive results.”

Xentel DM Incorporated is one of North America’s leading relationship-marketing concerns and producers of cause related entertainment events. The Company’s success is attributable to proprietary sales tools including technologically advanced teleservices and sophisticated customer databases. Xentel DM Incorporated has over 400 clients and 1,900 employees in over 25 offices across North America.

Certain statements in this press release may constitute “forward looking statements” and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any performance or achievement expressed or implied by such “forward looking statements”.

The TSX Venture Exchange has neither approved nor disapproved the contents of this announcement.

Xentel DM Incorporated
Consolidated Balance Sheets
('000s)

	June 30, 2009 (unaudited)	June 30, 2008 (unaudited) (restated)	December 31, 2008 (audited)
Assets			
Current assets			
Cash and cash equivalents	\$ 1,594	\$ 267	\$ 1,365
Accounts receivable, net of allowances	7,267	6,250	6,910
Income taxes recoverable	18	-	-
Inventory	581	594	617
Prepaid expenses	807	975	1,235
Due from related party	1,500	460	1,589
Future income taxes	817	2,099	1,568
	<u>12,584</u>	<u>10,645</u>	<u>13,284</u>
Due from related party	-	854	-
Equipment	2,608	3,177	3,050
Future income taxes	2,782	3,119	3,089
Intangible assets	60	555	64
Goodwill	1,168	1,023	1,239
	<u>\$ 19,202</u>	<u>\$ 19,373</u>	<u>\$ 20,726</u>
	=====	=====	=====
Liabilities			
Current liabilities			
Bank indebtedness	\$ 681	\$ 242	\$ 86
Accounts payable and accrued liabilities	4,992	5,534	5,877
Income taxes payable	-	106	275
Current portion of long term liabilities	90	840	141
Future income taxes	715	662	715
Due to related party	2,193	653	3,244
	<u>8,671</u>	<u>8,037</u>	<u>10,338</u>
Long term debt	2	10	6
Future income taxes	36	1,048	38
Deferred tenant inducement	180	264	223
Due to related party	-	1,961	-
	<u>8,889</u>	<u>11,320</u>	<u>10,605</u>
Shareholders' equity			
Share capital	8,827	9,280	8,925
Warrants	-	205	-
Contributed surplus	628	79	558
Accumulated other comprehensive income	(2, 923)	(3,803)	(2,389)
Retained earnings	3,781	2,292	3,027
	<u>10,313</u>	<u>8,054</u>	<u>10,121</u>
	<u>\$ 19,202</u>	<u>\$ 19,373</u>	<u>\$ 20,726</u>
	=====	=====	=====

Xentel DM Incorporated
Consolidated Statements of Operations and Retained Earnings
('000s, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		(restated)		(restated)
Revenue	\$ 23,729	\$ 24,056	\$ 47,614	\$ 48,490
Cost of revenue	18,163	18,329	36,677	37,081
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross margin	5,566	5,727	10,937	11,409
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Corporate expenses				
Branch overhead and corporate administration	4,083	4,269	8,215	8,660
Interest expense	49	137	82	241
Amortization of equipment	245	94	495	385
Amortization of intangible assets	2	372	4	743
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	4,379	4,872	8,796	10,029
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings before undernoted items	1,187	855	2,141	1,380
Other item				
Expenses related to 2003 privatization lawsuit	-	17	-	26
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Earnings before income taxes	1,187	838	2,141	1,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax expense				
Current income tax expense	30	33	30	124
Future income tax expense	476	307	857	447
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	506	340	887	571
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net earnings	681	498	1,254	783
Retained earnings, beginning of period	3,600	1,794	3,027	1,509
Dividends paid	500	-	500	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Retained earnings, end of period	\$ 3,781	\$ 2,292	\$ 3,781	\$ 2,292
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic and diluted net earnings per share	\$ 0.03	\$ 0.02	\$ 0.05	\$ 0.03
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic weighted average number of shares outstanding	25,163	26,195	25,072	26,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted weighted average number of shares outstanding	25,545	26,195	25,267	26,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Xentel DM Incorporated
Consolidated Statements of Contributed Surplus
('000s)

	Three Months Ended June 30 (unaudited)		Six Months Ended June 30 (unaudited)	
	2009	2008	2009	2008
Balance, beginning of period	\$ 628	\$ 79	\$ 558	\$ 79
Discount on share repurchase from book value	-	-	70	-
Balance, end of period	<u>\$ 628</u>	<u>\$ 79</u>	<u>\$ 628</u>	<u>\$ 79</u>

Xentel DM Incorporated
Consolidated Statements of Comprehensive Income
('000s)

	Three Months Ended June 30 (unaudited)		Six Months Ended June 30 (unaudited)	
	2009	2008	2009	2008
Net earnings for the period	\$ 681	\$ 498	\$ 1,254	\$ 783
Foreign currency translation adjustment from self sustaining foreign operations	(611)	(56)	(534)	108
Comprehensive income	<u>\$ 70</u>	<u>\$ 442</u>	<u>\$ 720</u>	<u>\$ 891</u>

Xentel DM Incorporated
Consolidated Statements of Accumulated Other Comprehensive Income
('000s)

	Three Months Ended June 30 (unaudited)		Six Months Ended June 30 (unaudited)	
	2009	2008	2009	2008
Balance, beginning of period	\$ (2,312)	\$ (3,747)	\$ (2,389)	\$ (3,911)
Foreign currency translation adjustment from self sustaining foreign operations	(611)	(56)	(534)	108
Balance, end of period	<u>\$ (2,923)</u>	<u>\$ (3,803)</u>	<u>\$ (2,923)</u>	<u>\$ (3,803)</u>

Xentel DM Incorporated
Consolidated Statements of Cash Flows
('000s)

	Three Months Ended June 30		Six Months Ended June 30	
	2009 (unaudited)	2008 (unaudited) (restated)	2009 (unaudited)	2008 (unaudited) (restated)
Cash flows from (used in) operating activities				
Net earnings for the period	\$ 681	\$ 498	\$ 1,254	\$ 783
<i>Non cash transactions reflected in net earnings</i>				
Amortization	247	466	499	1,128
Future income tax expense	476	307	857	447
Adjustment for non cash interest	-	62	-	123
Adjustment for non cash tenant inducement rent credit	(21)	(21)	(42)	(42)
	<u>1,383</u>	<u>1,312</u>	<u>2,568</u>	<u>2,439</u>
<i>Net change in non cash working capital items</i>				
Accounts receivable	(380)	867	(577)	298
Inventory	(26)	28	12	43
Prepaid expenses	393	(6)	403	(132)
Other current assets	(14)	-	(26)	4
Income taxes payable / recoverable	(85)	18	(280)	40
Accounts payable and accrued liabilities	(168)	424	(755)	(424)
	<u>(280)</u>	<u>1,331</u>	<u>(1,223)</u>	<u>(171)</u>
Net change in non cash working capital items	<u>1,103</u>	<u>2,643</u>	<u>1,345</u>	<u>2,268</u>
Cash flows from (used in) financing activities				
Bank indebtedness	80	(1,922)	600	(1,071)
Due to related party repaid	(305)	-	(915)	-
Long term debt acquired	-	-	-	389
Long term debt repaid	(1)	(491)	(62)	(974)
Repurchase of share capital (note 13)	-	-	(28)	-
Dividends paid (note 16)	(500)	-	(500)	-
	<u>(726)</u>	<u>(2,413)</u>	<u>(905)</u>	<u>(1,656)</u>
Cash flow (used in) investing activities				
Investment in equipment	(63)	(80)	(153)	(547)
Effect of exchange rate fluctuations on cash balances	<u>(66)</u>	<u>3</u>	<u>(58)</u>	<u>(3)</u>
Net increase in cash and cash equivalents	248	153	229	62
Cash and cash equivalents, beginning of period	<u>1,346</u>	<u>114</u>	<u>1,365</u>	<u>205</u>
Cash and cash equivalents, end of period	<u>\$ 1,594</u>	<u>\$ 267</u>	<u>\$ 1,594</u>	<u>\$ 267</u>