Route1 Inc. Reports Second Quarter 2012 Financial Results

The Associated Press

Route1 Inc. (TSX VENTURE: ROI) (Route1 or the Company), a digital security and identity management company, today announced its financial results for the three and six month periods ended June 30, 2012.

Operating results for the second quarter were positively affected by the proceeds of an arbitration award which were received in January 2012. For the quarter ended June 30, 2012, $0.6 million of service revenue was included in the Company's financial statements.

Revenue and Earnings Improvement

Q2 2012

Total revenue for the second quarter ended June 30, 2012 increased to more than $1.9 million from $1.2 million in the second quarter of 2011. Cost of revenues decreased during the quarter due to decreasing royalties on licenses and reduced expenses as a result of lower sales of MobiKEY devices. Gross profit increased to $1.7 million in the second quarter of 2012 from $1.0 million in same quarter of 2011.

Operating profit for the second quarter was $0.6 million, compared with $29,529 a year earlier. During the second quarter of 2012 Route1's expenses increased to $1.1 million from $0.9 million a year earlier primarily due to a lower Scientific Research and Experimental Development (SR&ED) credit of $0.1 million, and an increase in the number of software developers employed.

The Company increased its total comprehensive income for the three months ended June 30, 2012 to $0.5 million from $(0.3) million in the second quarter of 2011. Basic and diluted earnings per share were unchanged in the second quarter of 2012 and 2011 at nil.

EBITDA for the most recent quarter was $0.6 million compared with approximately $0.1 million in the second quarter of 2011.

in 000s of CAD dollars June 30 Mar 31 Dec 31 Sept 30 June 30 2012 2012 2011 2011 2011 ---------- Revenue 1,888 2,952 1,401 1,399 1,238 EBITDA 634 1,125 (1,464) (36) 70 Amortization 44 36 40 34 40 Operating profit (loss) 590 1,089 (1,504) (70) 30 ==========

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Year-to-Date 2012

For the six month period ended June 30, 2012, total revenue increased to $4.8 million from $2.7 million in the same period of 2011. Gross profit increased to $4.0 million from $2.2 million in same period of 2011, as did operating profit and comprehensive income, respectively to $1.7 million from $0.2 million and to $1.5 million from $(0.2) million.

Cash Position and Balance Sheet Continue to Strengthen

For the quarter and six month period ended June 30, 2012, the net cash generated from operating activities was $1.1 million and $2.8 million respectively. For the 2011 year, there was an outflow of $0.2 million for the quarter and six month period ended June 30.

As at June 30, 2012, Route1 had no bank debt and a cash balance of $2.3 million.

in 000s of CAD dollars Jun 30 Mar 31 Dec 31 Sept 30 June 30 2012 2012 2011 2011 2011 ---------- Cash Flow Operating activities $ 1,086 $ 1,706 $ 175 $ (229) $ (178) Investing activities (122) (18) (27) (106) (4) Financing activities (188) (290) (85) 104 51 ---------- Net cash inflow (outflow) 776 1,398 63 (231) (131) Cash, beginning of period 1,485 87 24 255 386 ---------- Cash, end of period $ 2,261 $ 1,485 $ 87 $ 24 $ 255 ========== Balance Sheet Abstracts Working capital (deficiency) $ (493) $ (901) $(1,707) $ (853) $ (503) Total assets $ 4,067 $ 2,765 $ 5,999 $ 2,616 $ 2,011 Shareholders' equity (deficiency) $ (302) $ (778) $(1,539) $ (586) $ (340)

Paid, Active Subscribers

As at June 30, 2012, Route1 had 14,876 paying, active subscribers. The decrease from the March 31, 2012 value of 15,794 is a result of a reduction in government subscription renewals stemming from budgetary cut backs. Offsetting the subscriber decrease is an improvement in the quality of revenue during the same period of time. Specifically, revenue per subscriber increased from $248 to $253.

in 000s of CAD dollars for Revenue June 30 Mar 31 Dec 31 Sept 30 June 30 from subscribers 2012 2012 2011 2011 2011 ---------- Closing number of subscribers 14,876 15,794 15,903 15,796 15,722 Revenue per subscriber $ 253 $ 248 $ 243 $ 246 $ 245 Revenue from subscribers $ 942 $ 983 $ 963 $ 969 $ 960 ==========

Significant Developments during the Quarter

In April 2012 Route1 entered into a licensing agreement with its current MobiKEY Fusion device manufacturer, Giesecke & Devrient GmbH (G&D), to use and develop G&D's middleware while Route1 continues to develop its own middleware. The strategically important agreement allows Route1 to directly support and evolve MobiKEY Fusion devices already deployed and to procure similar devices from other parties that would use Route1's middleware. In conjunction with the agreement, Route1 has ordered an additional 4,605 MobiKEY Fusion devices from G&D.

On May 23, 2012, the Company announced that an Interim Authorization to Operate (IATO) had been recently granted by the U.S. Navy (USN) for the DEFIMNET and MobiKEY solution. The IATO is still in effect and Route1 now expects to receive an Authority to Operate (ATO), the final step in the certification and accreditation process, in September 2012.

Business Development Update

Route1's primary business development focus is with the U.S., Canadian and Dutch federal governments. More recently, the Company has started to work with select channel partners to target new clients in the financial services, legal and healthcare verticals. The expanding business development focus is directly tied to the commercial market's evolving interest to act, and not just talk about, cyber security measures, and the timing of Route1's new offerings. By way of an example, the soon to be released MobiKEY Classic 2 (MC2) supports both Windows and Mac operating systems on the remote computer, which is more in line with the requirements of small to medium sized businesses.

The table below provides an overview of Route1's Top 20 new account and organic growth business development pipeline as of today's date.

---------- Demo Pilot Roll Out ---------- ---------- Phase Phase Phase 1 2 3 less less less less less than than than than than Approx. Client Client 10 50 500 2.5k 10k Max. Description No. Type users users users users users Personnel ---------- ---------- Government U.S. 1 Defense X (a) 2 Defense X (a) 3 Defense X (a) 4 Defense X 8k 5 Defense X 26K 6 Civilian X (b) 7 Civilian X (b) 8 Civilian X (b) 9 Civilian X 20k 10 Civilian X 2k 11 Civilian X 50k 12 Defense X 300k ---------- Government Other 13 Defense X 15k 14 Civilian X 5k 15 Civilian X 3k 16 Civilian X 10k ---------- Enterprise 17 Healthcare X 10K 18 Defense X 2k 19 Healthcare X 14K 20 Investment X 26k ---------- ---------- Total 8 3 7 1 1 greater than 1 mm ---------- (a)Combined opportunity of 700,000. (b)Combined opportunity of 70,000.

The table above does not include business development opportunities that have not started a demonstration or have completed a demonstration but as of today's date

not yet initiated a pilot.

As at June 30, 2012, the USN had ordered more than 2,100 subscriptions and provisioned approximately 890 users. The provisioned number is the value included in the paid, active subscriber count above. Route1 believes an influencing factor in the slow growth in orders and provisioned users is the accreditation status of the DEFIMNET.

The relationship with the USN has also led to additional U.S. Department of Defense opportunities that the Company believes will translate into additional users in the coming months.

It should be noted that the U.S. government is a large and profoundly complex organization with more than five million employees, contractors and military personnel across its legislative, judicial and executive branches, encompassing more than 300 agencies, sub agencies and branches.

Advances in Product Development

Support additional operating systems - Expect the release of support for Mac OS X on the remote computer by September 30, 2012. Route1 will also support Windows 8 on both the host and remote computers on or around the time Microsoft commercially releases it to the market place.

Tablet support - Expect release of Route1's MobiKEY solution by the end of December 2012 to support Android OS tablets and during the first quarter in 2013 to support iOS tablets.

Simply authentication - The Company expects to have a commercially available product by the end of December 2012.

Remote access features - Audio support and policy management by the end of December 2012. Policy management will allow organizations to establish and implement MobiKEY policy management with real-time implementation of changes. Management features will include security settings (encryption settings), default connection settings, password policy, operating systems and versions on remote computer and mobile devices permissible.

It is important to note that these target dates can be affected by a number of factors, including priority product development requirements from new and existing clients.

Normal Course Issuer Bid

Route1 announced on February 27, 2012, its intention to make a Normal Course Issuer Bid ("NCIB") to buy back its common shares through the facilities of the TSX Venture Exchange ("Exchange"), which was approved by the Exchange. The maximum number of common shares that may be purchased for cancellation pursuant to the NCIB is 35,480,904, which represents 10% of the common shares in

the public float on the date that the Exchange approved the NCIB. Route1 stated that it believed its common shares had been trading in a price range which did not adequately reflect the value of the shares in relation to the business of Route1 and its future business prospects. As a result, depending upon future price movements and other factors, Route1 believes that its outstanding common shares may represent an attractive investment to Route1. In addition, the NCIB is expected to benefit all Route1 shareholders who continue to hold the Company's common shares by increasing their equity interest in Route1.

To date, the Company has purchased and cancelled approximately 6.9 million common shares.

Annual and Special Meeting of Shareholders

The Company will hold its annual meeting of its shareholders on October 22, 2012. The meeting time and location will be announced shortly.

ABOUT ROUTE1, INC.

Route1 delivers industry-leading security and identity management solutions to enterprises worldwide, such as businesses, government and military, which need universal, secure access to all digital resources and sensitive data. These customers depend on The Power of MobiNET - Route1's communications and service delivery platform. MobiNET provides identity assurance and individualized access to networks and data. Route1's patented solutions are based on FIPS 140-2 cryptographic modules, and simplify the process of meeting increasingly stringent regulatory requirements for privacy and security. Headquartered in Toronto, Canada, Route1 is listed on the TSX Venture Exchange.

For more information, visit our website at: www.route1.com [1].

This news release, required by applicable Canadian laws, does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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