



Press Release 

For Immediate Release

Nstein announces its results for the second quarter of 2006

Montreal, Quebec, August 28, 2006—Nstein Technologies Inc. ("Nstein") (TSX-V: EIN) today announced its results for the second quarter ended June 30, 2006.

Revenues for the second quarter of 2006 totalled \$2.0 million, representing a 26% decrease in comparison to the second quarter of 2005. For the second quarter of 2006, Nstein posted a loss before financial expenses, exchange gain, income taxes on earnings, depreciation and amortization (EBITDA) of \$1.1 million compared to \$0.3 million the year before. The loss amounted to \$1.7 million or \$0.079 per share in the second quarter of 2006 as opposed to \$0.8 million or \$0.045 last year.

For the six-month period ended June 30, 2006, revenues totalled \$4.0 million as opposed to \$5.1 million a year earlier, representing a 21% decrease. The Company posted a negative EBITDA of \$1.9 million compared to \$0.7 million for the same period in 2005. The loss totalled \$3.2 million or \$0.158 per share in the first six months of 2006, as opposed to \$1.7 million or \$0.090 per share last year.

"The recent closing of a \$10-million financing with J.L. Albright IV Venture Fund and the Solidarity Fund QFL is the most important accomplishment of this quarter," said Mario Girard, Chairman and Chief Executive Officer of Nstein Technologies. "The management team will now be able to concentrate on the commercial development of the Company and therefore improve its future financial performance."

Since 2005, the Company has been pursuing business development initiatives with some of IT's biggest organizations, including IBM*. Nstein has developed new solutions that recently led to the signature of a contract with Marketingworks, based in Los Angeles. "This sale is the outcome of a joint IBM-Nstein initiative for the launch of a new market intelligence solution for reputation management and public image monitoring. It provides visibility to our Ntelligent Enterprise Search and sentiment analysis solution, powered by IBM WebSphere* OmniFind*," said Mr. Girard.

Outlook

"We are also planning the launch of a platform offering Nstein's technology via an online subscription model to companies looking for the technological and financial flexibility of an on-demand solution," said Mr. Girard.

He added: "Industry analysts have confirmed that our market is thriving, and they also see the growing need to integrate text mining platforms into search solutions. The ability to leverage large volumes of unstructured content—like consumer-generated media—and transform this information overload is now within the reach of a growing number of organizations. Nstein's solutions will be there every step of the way to support these business needs."

Board of Directors

Nstein announces the nomination of Michel Lozeau to the Board of Directors, in replacement of Jean Bédard. Mr. Lozeau has more than 30 years of experience in management and information technologies and is currently president of the consulting firm Gestion de Breslay. His previous positions include Senior Vice-President of E-Commerce with National Bank of Canada, where he was also a member of the executive committee (2001-2003), and Vice-President of Oracle Consulting, a division of Oracle Corporation (1995-2001).

Stock option plan

The Board of Directors has passed a resolution to bring the number of shares reserved for stock options to 3,143,000, which represents less than 10% of the total number of shares issued and in circulation. This change to the stock option plan has been authorized by the TSX Venture Exchange.

About Nstein Technologies Inc.

Nstein Technologies (TSX-V: EIN) develops and markets leading-edge software solutions for analyzing vast amounts of unstructured data in virtually all languages. Nstein's text mining and information access solutions transform reactive decision-making into a high-impact proactive and even predictive process. The Company is headquartered in Montreal, Canada, with offices in the United States and Europe. More information is available at www.nstein.com.

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NSTEIN TECHNOLOGIES INC.

Consolidated Balance Sheets	As at June 30	As at December 31
	2006	2005
	\$	\$
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	5,639,838	1,928,718
Restricted cash short-term	1,721,438	-
Term deposit	164,600	164,600
Accounts receivable	1,760,546	1,612,137
Refundable tax credits	938,293	827,849
Work in progress	547,341	451,639
Prepaid expenses	190,297	125,237
Current portion of balances receivable on the sales of software licenses	164,157	178,327
	11,126,510	5,288,507
Restricted cash long-term	429,489	-
Balance receivable on the sales of software licences	-	165,996
Property, plant and equipment	360,790	370,447
Intangible assets	605,213	748,043
Deferred financing expenses	187,482	343,500
Goodwill	5,166,876	5,166,876
	17,876,360	12,083,369
Liabilities		
Current liabilities		
Bank loans	150,000	248,952
Accounts payable and accrued liabilities	2,336,417	2,369,679
Deferred revenues	339,031	327,151
Current portion of long-term debt	2,520,657	2,064,542
	5,346,105	5,010,324
Long-term debt	1,387,952	2,988,619
	6,734,057	7,998,943
Shareholders' Equity		
Share capital	39,411,594	29,534,130
Other equity components	2,291,973	2,160,640
Contributed surplus	268,244	66,877
Deficit	(30,829,508)	(27,677,221)
	11,142,303	4,084,426
	17,876,360	12,083,369



NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Earnings and Deficit	Three months ending June 30		Six months ending June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	1,961,173	2,668,241	4,014,565	5,071,844
Cost of sales	1,353,299	1,277,599	2,523,178	2,334,598
	607,874	1,390,642	1,491,387	2,737,246
Expenses				
Selling and administrative	1,358,160	1,449,291	2,600,975	2,791,981
Research and development	544,717	445,655	1,101,786	992,241
Research and development tax credits	(155,000)	(165,000)	(263,833)	(330,989)
Depreciation of property, plant and equipment	36,553	34,237	72,143	67,361
Amortization of intangible assets	101,677	335,133	148,697	670,301
Loss (gain) on disposal of property, plant and equipment and intangible assets	-	-	-	(3,284)
Exchange loss (gain)	(135,407)	18,114	(121,982)	47,854
Financial expenses	536,583	115,615	1,105,888	176,200
	2,287,283	2,233,045	4,643,674	4,411,665
Loss for the period	1,679,409	842,403	3,152,287	1,674,419
Deficit - Beginning of period	(29,150,099)	(21,740,112)	(27,677,221)	(20,908,096)
Deficit - End of period	(30,829,508)	(22,582,515)	(30,829,508)	(22,582,515)
Basic and diluted loss per share	0.079	0.045	0.158	0.090
Basic and diluted weighted average number of shares outstanding	21,171,621	18,640,701	19,941,909	18,640,701



NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Cash Flows	Three months ending June 30		Six months ending June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities				
Loss for the year	(1,679,409)	(842,403)	(3,152,287)	(1,674,419)
Items not affecting cash and cash equivalents				
Sales of long-term financed licences and related interest in excess of cash receipts	184,160	180,795	180,166	(355,217)
Interest capitalized on long-term debt	17,491	25,499	181,203	53,700
Unrealized exchange loss (gain)	(112,732)	-	(99,532)	-
Depreciation of property, plant and equipment	36,553	34,237	72,143	67,361
Amortization of intangible assets	101,677	335,133	148,697	670,301
Amortization of deferred financing expenses	72,242	8,271	156,018	16,542
Stock-based compensation costs	95,055	80,382	174,538	146,277
Loss (gain) on disposal of property, plant and equipment	-	-	-	(3,284)
	(1,284,963)	(178,086)	(2,339,054)	(1,078,739)
Change in non-cash operating working capital items				
Accounts receivable	246,894	(598,571)	(148,409)	208,109
Refundable tax credits	35,455	206,894	(110,444)	40,905
Work in progress	28,567	(350,259)	(95,702)	(511,230)
Prepaid expenses	(41,551)	27,422	(65,060)	2,067
Accounts payable and accrued liabilities	(112,327)	(77,874)	58,951	(314,912)
Deferred revenues	(61,615)	36,087	11,880	55,677
	95,423	(756,301)	(348,784)	(519,384)
	(1,189,540)	(934,387)	(2,687,838)	(1,598,122)
Cash flows from financing activities				
Variation in bank loans	-	642,704	(98,952)	642,704
Long-term debts	900,000	525,000	1,300,000	525,000
Payments on long-term debt	(1,564,578)	(120,020)	(1,768,459)	(241,206)
Deferred financing expenses	(92,213)	-	(92,213)	-
Issuance of common shares, net of issue expenses	9,277,861	-	9,277,861	2,002
	8,521,070	1,047,684	8,618,237	928,500
Cash flows from investing activities				
Change in restricted cash	(2,150,927)	-	(2,150,927)	-
Business acquisitions, net of cash and cash equivalents acquired	-	(67,569)	-	(117,569)
Additions to property, plant and equipment	(48,311)	(39,216)	(62,486)	(47,675)
Additions to intangible assets	(2,310)	(4,058)	(5,866)	(4,488)
Proceeds from the sale of property, plant and equipment	-	845	-	7,629
	(2,201,548)	(109,998)	(2,219,279)	(162,104)
Increase (decrease) in cash and cash equivalents	5,129,982	3,299	3,711,120	(831,726)
Cash and cash equivalents – Beginning of period	509,856	1,916,549	1,928,718	2,751,574
Cash and cash equivalents – End of period	5,639,838	1,919,848	5,639,838	1,919,848

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