

**M**  **DIAGRIF**

INTERACTIVE TECHNOLOGIES

**MANAGEMENT DISCUSSION AND ANALYSIS**

FOR THE PERIOD ENDED DECEMBER 31, 2009

# Management Discussion and Analysis

FOR THE PERIOD ENDED DECEMBER 31, 2009

THIRD QUARTER AND FIRST NINE MONTHS OF FISCAL YEAR 2010 VERSUS  
THIRD QUARTER AND FIRST NINE MONTHS OF FISCAL YEAR 2009

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*The following Management Discussion and Analysis (“MD&A”), which has been prepared as of February 9, 2010, of the financial condition and results of operations of Mediagrif Interactive Technologies Inc. (“Mediagrif” or the “Company”) should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes thereto for the period ended December 31, 2009 as well as the Company MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2009. This discussion and analysis compares performance for the quarter and first nine months ended December 31, 2009 and 2008. The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). Unless indicated otherwise, all amounts are in Canadian dollars.*

*In addition to providing an earnings measure in accordance with GAAP, the Company’s statement of earnings shows earnings from operations and earnings before interest, taxes, depreciation and amortization (“EBITDA”) as supplementary earnings measures. The Company sometimes refers to the free cash flow measure in its documents. Free cash flow is defined as cash flows from operating activities less the acquisition of premises and equipment and intangible assets presented in investing activities and less dividends paid presented in financing activities. Earnings from operations, EBITDA and free cash flow are not intended to be measures that should be regarded as an alternative to other financial operating performances prepared in accordance with Canadian GAAP. Those measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Earnings from operations and EBITDA are provided to assist investors in determining the Company’s ability to generate profitability from its operations and to evaluate its financial performance. Free cash flow is provided to investors in determining the Company’s ability to generate cash flows to finance its growth.*

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## ■ PROFILE

Mediagrif has been delivering e-commerce solutions for businesses around the globe since 1996. Its e-business networks operate as dedicated Web platforms within specific business sectors, enabling trade between corporate buyers and suppliers and helping them to find, purchase and sell products, to exchange information and to access business opportunities with greater speed and efficiency. The international client base of Mediagrif includes small and medium businesses, large companies as well as government agencies. The Company currently provides solutions for businesses involved in electronics components, computer equipment, telecommunication, medical equipment, truck and heavy equipment, aftermarket automotive parts, wine and spirits, jewelry, e-tendering, e-publishing government business intelligence, and construction. Mediagrif's services are delivered by an experienced team of 345 employees. Mediagrif (TSX: MDF) has its head office in Longueuil and offices in Ottawa (Canada) and in the metropolitan areas of Atlanta and Washington and in cities of Albany, San Diego, Tampa, Charlotte (United States) and Shenzhen (China).

## ■ HIGHLIGHTS

The operational strategy of Mediagrif's to reestablish a positive operational margin in all its business networks continues to show positive results.

The highlights of the third quarter are as follows:

- Revenues of \$11.4 million for the third quarter of 2010, compared to \$12.2 million for the corresponding period of 2009.
- Increase of 638% in earnings before interest, taxes, depreciation and amortization (EBITDA), from \$3.3 million for the third quarter of 2010 to \$0.5 million for the corresponding period of 2009.
- Increase of \$3.9 million of earnings from operations, from \$2.5 million for the third quarter of 2010 to a loss of \$1.4 million for the corresponding period of 2009.
- Cash and cash equivalents reached \$29.6 million on December 31, 2009, compared to \$27.7 million on December 31, 2008.
- Cash dividend of \$0.10 per share paid in the third quarter for a total amount of \$1.4 million.

## ■ SELECTED QUARTERLY FINANCIAL INFORMATION

|  | Q3 - 2010 | Q3 - 2009 |
|--|-----------|-----------|
| <b>CONSOLIDATED STATEMENT OF EARNINGS <sup>(1)</sup></b> | \$        | \$        |
| <b>REVENUES</b>  | 11,417    | 12,236    |
| <b>GROSS MARGIN</b>                                      | 8,784     | 9,317     |
| <b>OPERATING EXPENSES</b>                                |           |           |
| General and administrative                               | 2,034     | 4,743     |
| Sales and marketing                                      | 2,128     | 3,179     |
| Technology   | 1,823     | 2,106     |
| Amortization of acquired intangible assets               | 173       | 435       |
| Stock-based compensation                                 | 89        | 207       |
| <b>TOTAL OPERATING EXPENSES</b>                          | 6,247     | 10,670    |
| <b>EARNINGS FROM OPERATIONS</b>                          | 2,537     | (1,353)   |
| <b>EBITDA</b>  | 3,334     | 452       |
| <b>NET EARNINGS</b>                                      | 1,121     | 2,622     |
| Basic net earnings per share                             | 0.08      | 0.18      |
| Diluted net earnings per share                           | 0.08      | 0.18      |
| <b>RECONCILIATION OF EBITDA AND NET EARNINGS</b>         |           |           |
| <b>NET EARNINGS</b>                                      | 1,121     | 2,622     |
| Interest income  | (26)      | (155)     |
| Other expenses   | 66        | 134       |
| Income taxes   | 927       | (2,555)   |
| Amortization of fixed assets                             | 535       | 1,163     |
| Amortization of acquired intangible assets               | 173       | 435       |
| Stock-based compensation                                 | 89        | 207       |
| Foreign exchange loss (gain)                             | 449       | (1,399)   |
| <b>EBITDA</b>  | 3,334     | 452       |

<sup>(1)</sup> Canadian dollars in Thousands, except per share amounts.

We have restated the 2009 figures to account for recent accounting changes described in the "Changes to accounting policies" section.

## ■ SELECTED YEAR-TO-DATE FINANCIAL INFORMATION

|  | YTD - 2010    | YTD - 2009 |
|--|---------------|------------|
|  | \$            | \$         |
| <b>CONSOLIDATED STATEMENT OF EARNINGS <sup>(1)</sup></b>     |               |            |
| <b>REVENUES</b>  | <b>34,578</b> | 36,100     |
| <b>GROSS MARGIN</b>  | <b>26,901</b> | 27,666     |
| <b>OPERATING EXPENSES</b>                                    |               |            |
| General and administrative                                   | 6,864         | 11,010     |
| Sales and marketing  | 6,609         | 8,386      |
| Technology   | 5,529         | 6,461      |
| Amortization of acquired intangible assets                   | 518           | 1,332      |
| Stock-based compensation                                     | 215           | 435        |
| <b>TOTAL OPERATING EXPENSES</b>                              | <b>19,735</b> | 27,624     |
| <b>EARNINGS FROM OPERATIONS</b>                              | <b>7,166</b>  | 42         |
| <b>EBITDA</b>  | <b>9,419</b>  | 5,367      |
| <b>NET EARNINGS</b>  | <b>1,611</b>  | 3,758      |
| Basic net earnings per share                                 | 0.12          | 0.26       |
| Diluted net earnings per share                               | 0.12          | 0.26       |
| Weighted average number of shares outstanding (basic)        | 13,949,873    | 14,350,547 |
| Weighted average number of shares outstanding (diluted)      | 13,949,873    | 14,350,547 |
| Number of common shares outstanding as of February 9th, 2010 | 13,908,510    |            |
| Number of stock options outstanding as of February 9th, 2010 | 651,900       |            |
| <b>CONSOLIDATED BALANCE SHEET (as of December 31st)</b>      |               |            |
| Cash and cash equivalents                                    | 29,587        | 27,683     |
| Long-term assets   | 37,274        | 45,359     |
| Total assets   | 79,489        | 85,170     |
| Total liabilities  | 17,798        | 19,779     |
| Shareholders' equity   | 61,691        | 65,391     |
| <b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>                 |               |            |
| Cash flow from operating activities                          | 3,982         | 4,703      |
| Cash flow used for capital expenditures                      | (911)         | (2,970)    |
| Cash flow used in financing activities                       | (1,721)       | (1,582)    |
| <b>RECONCILIATION OF EBITDA AND NET EARNINGS</b>             |               |            |
| <b>NET EARNINGS</b>  | <b>1,611</b>  | 3,758      |
| Interest income  | (53)          | (451)      |
| Other expenses   | 271           | 309        |
| Income taxes   | 3,007         | (1,714)    |
| Amortization of fixed assets                                 | 1,520         | 3,558      |
| Amortization of acquired intangible assets                   | 518           | 1,332      |
| Stock-based compensation                                     | 215           | 435        |
| Foreign exchange loss (gain)                                 | 2,330         | (1,860)    |
| <b>EBITDA</b>  | <b>9,419</b>  | 5,367      |

<sup>(1)</sup> Canadian dollars in Thousands, except per share amounts.

We have restated the 2009 figures to account for recent accounting changes described in the "Changes to accounting policies" section.

## ■ OPERATIONAL REVIEW

We have retroactively restated the 2009 figures to account for a recent change in accounting standards relating to goodwill and intangible assets. The change is effective April 1, 2009 for the Company. More details can be found in the “Changes to Accounting Policies” section.

### REVENUES

Revenues decreased by \$0.8 million in the third quarter of 2010, compared to the third quarter of 2009, from \$12.2 million to \$11.4 million. For the first nine months of 2010, revenues decreased by \$1.5 million, compared to the corresponding period of 2009, from \$36.1 million to \$34.6 million.

- Our business networks BidNet, GovernmentBids, MERX, Carrus, pipeline and Interactive Procurement Technologies (“IPT”) operate in markets less affected by the economic conditions and are showing healthy organic growth. However, revenues from our networks The Broker Forum, Power Source On-Line, Market Velocity and Polygon are affected by the economic slowdown.
- In original currencies, revenues decreased by \$0.8 million during the third quarter of 2010 compared to the third quarter of 2009. For the first nine months of 2010, revenues decreased by \$2.3 million compared to the corresponding period of 2009.
- Revenues earned in US dollars represent 59% of total revenues in the third quarter and for the first nine months of 2010, compared to 64% in the third quarter and for the first nine months of 2009.
- As a result, the variation of the Canadian dollar compared to the US dollar combined to our hedge coverage generated a nil impact during the third quarter of 2010. For the first nine months of 2010, the variation of the Canadian dollar compared to the US dollar combined to our hedge coverage generated a positive impact of \$0.8 million.

### GROSS MARGIN

Gross margin increased to 77% for the third quarter of 2010, compared to 76% for the third quarter of 2009. For the first nine months of 2010, gross margin increased to 78%, compared to 77% for the corresponding period of 2009. The increase is mainly due to lower cost of revenues following the headcount reduction and a better cost control.

### OPERATING EXPENSES

Operating expenses for the third quarter of 2010 decreased to \$6.2 million, compared to \$10.7 million for the third quarter of 2009. For the first nine months of 2010, operating expenses decreased to \$19.7 million, compared to \$27.6 million for the corresponding period of 2009. The decrease in operating expenses is explained by the following items:

- General and administrative expenses for the third quarter of 2010 decreased to \$2.0 million, compared to \$4.7 million for the third quarter of 2009. For the first nine months of 2010, general and administrative expenses decreased to \$6.9 million compared to \$11.0 million for the corresponding period of 2009. This decrease is mainly due to severance payments of \$1.6 million and the write-off of capitalized acquisition costs regarding an unrealized acquisition of \$0.4 million during the third quarter of 2009 as well as general headcount reduction throughout the Company during the last quarter of 2009.

- Sales and marketing expenses for the third quarter of 2010 decreased to \$2.1 million, compared to \$3.2 million for the third quarter of 2009. For the first nine months of 2010, sales and marketing expenses decreased to \$6.6 million compared to \$8.4 million for the corresponding period of 2009 mainly due to the general headcount reduction throughout the Company and lower representation fees and bad debt expenses.
- During the third quarter and first nine months of 2010, general, administrative, sales and marketing expenses over total revenues decreased respectively from 65% and 54% for the corresponding periods of 2009, to 36% and 39%.
- Technology expenses for the third quarter of 2010 decreased to \$1.8 million compared to \$2.1 million for the third quarter of 2009. For the first nine months of 2010, technology expenses decreased to \$5.5 million compared to \$6.5 million for the corresponding period of 2009. This decrease is mainly due to lower salaries expenses and a decrease of the amortization expenses offset by lower capitalization of research and development expenses.
- The amortization of acquired intangible assets for the third quarter of 2010 decreased from \$0.4 million to \$0.2 million, compared to the third quarter of 2009. For the first nine months of 2010, the amortization of acquired intangible assets decreased from \$1.3 million to \$0.5 million, compared to the corresponding period of 2009 due to the impairment done on March 31, 2009.
- Stock-based compensation expense for the third quarter of 2010 decreased to \$89,000, compared to \$207,000 for the third quarter of 2009. For the first nine months of 2010, stock-based compensation expense decreased to \$215,000, compared to \$435,000 for the corresponding period of 2009, mainly due to a lower number of outstanding stock options.

## EARNINGS FROM OPERATIONS

Earnings from operations reached \$2.5 million during the third quarter of 2010, compared to a loss of \$1.4 million for the third quarter of 2009. For the first nine months of 2010, earnings from operations reached \$7.2 million, compared to \$42,000 for the corresponding period of 2009. This increase is mainly due to lower salary expenses and to severance payments following last year's headcount reduction.

## OTHER INCOME (EXPENSES)

Other income (expenses) amounted to (\$0.5 million) during the third quarter of 2010, compared to \$1.4 million for the third quarter of 2009. For the first nine months of 2010, other income (expenses) amounted to (\$2.5 million), compared to \$2.0 million for the corresponding quarter of 2009. This decrease is mainly due to a foreign exchange loss on our US dollar assets of \$0.4 million and \$2.3 million for the third quarter and first nine months of 2010 respectively, compared to a foreign exchange gain of \$1.4 million and \$1.9 million for the corresponding periods of 2009.

## PROVISION FOR INCOME TAXES

The provision for income taxes for the third quarter of 2010 amounted to \$0.9 million, representing a 45.26% effective tax rate, compared to a net tax recovery of \$2.6 million during the third quarter of 2009. For the first nine months of 2010, the provision for incomes taxes amounted to \$3.0 million, representing a 65.11% effective tax rate, compared to a net tax recovery of \$1.7 million for the corresponding period of 2009. The weighted statutory tax rate is 30.65%, compared to 30.9% in 2009.

The high effective tax rate for the third quarter and the first nine months of 2010 is due to non-deductible foreign exchange losses and to the revaluation of future income taxes assets in US currency. For the third

quarter and nine months of 2009, the difference between the statutory tax rate and the effective tax rate is due to the revaluation of future income taxes assets in US currency and to a tax provision reversal of \$2.1 million.

## EARNINGS PER SHARE

The basic earnings per share amounted to \$0.08 during the third quarter of 2010, compared to \$0.18 for the third quarter of 2009. The weighted average number of common shares outstanding for the third quarters of 2010 and 2009 was 13.9 million and 14.2 million respectively. For the first nine months of 2010, the basic earnings per share amounted to \$0.12, compared to \$0.26 for the corresponding period of 2009. The weighted average number of common shares outstanding for the first nine months of 2010 and 2009 was 13.9 million and 14.4 million respectively.

## QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters as of December 31, 2009 is disclosed below:

|  | 2008   | 2009   |        |         |         | 2010   |        |        |
|--|--------|--------|--------|---------|---------|--------|--------|--------|
|  | Q4     | Q1     | Q2     | Q3      | Q4      | Q1     | Q2     | Q3     |
| <b>Revenues</b>                        | 12,133 | 11,978 | 11,886 | 12,236  | 11,840  | 11,693 | 11,468 | 11,417 |
| <b>Earnings (loss) from operations</b> | (329)  | 500    | 895    | (1,353) | (7,799) | 1,878  | 2,751  | 2,537  |
| <b>EBITDA</b>                          | 1,502  | 2,280  | 2,635  | 452     | (192)   | 2,632  | 3,453  | 3,334  |
| <b>Net earnings (loss)</b>             | (318)  | 325    | 811    | 2,622   | (5,051) | (193)  | 683    | 1,121  |
| <b>Basic EPS (LPS)</b>                 | (0.02) | 0.02   | 0.06   | 0.18    | (0.35)  | (0.01) | 0.05   | 0.08   |
| <b>Diluted EPS (LPS)</b>               | (0.02) | 0.02   | 0.06   | 0.18    | (0.35)  | (0.01) | 0.05   | 0.08   |

We have restated the 2009 quarterly figures to account for recent accounting changes described in the " Changes to accounting policies " section. The 2008 figures were not restated.

## 2010 QUARTERS

- » Better cost control and headcount reduction made it possible, during the first three quarters of 2010, to increase earnings from operations and EBITDA, despite a reduction in revenues.

## 2009 QUARTERS

- » Earnings from operations decreased in the first and second quarters of the year mainly due to the Market Velocity and pipeline acquisitions realized in the second quarter of 2008.
- » During the third quarter, \$1.7 million was recorded as severance expenses and \$0.4 million as the write-off of capitalized acquisition costs for an unrealized acquisition. Net earnings were positively impacted by a reversal of a tax income reserve of \$2.1 million.
- » The net earnings of the fourth quarter were negatively impacted by severance expenses of \$2.4 million, the impairment of long-lived assets of \$6.6 million and the loss on the disposition of Centerac DMCC of \$0.2 million.

## 2008 QUARTER

- » Due to the announced reorganization in March 2008, severance expenses were recorded and had negative impacts on financial results.

## ■ LIQUIDITY AND FINANCIAL RESOURCES

Since our inception, we have financed our operations, acquisitions, capital expenditures, repurchase of common shares for cancellation and dividend payment through the Company's excess cash. Over the coming years, we expect to maintain our policy and hold our excess cash in order to fund new business opportunities.

As of December 31, 2009, our cash and cash equivalents amounted to \$29.6 million, an increase compared to \$27.7 million as of March 31, 2009 and December 31, 2008.

## OPERATING ACTIVITIES

Net cash generated by operating activities for the third quarter of 2010 amounted to \$2.5 million compared to \$3.6 million for the third quarter of 2009. For the first nine months of 2010, net cash generated by operating activities amounted to \$4.0 million, compared to \$4.7 million for the corresponding period of 2009. This decrease is mainly due to a lower net income and to a reduction of amortization expenses slightly offset by the use of future income taxes on capitalized losses and a less negative change in non-cash working capital items during the first nine months of 2010.

## INVESTING ACTIVITIES

Net cash used by investing activities for the third quarter of 2010 amounted to \$0.2 million, compared to \$0.7 million for the third quarter of 2009. For the first nine months of 2010, net cash used by investing activities amounted to \$0.9 million, compared to \$3.0 million for the corresponding period of 2009. In 2010, the amounts were used for the purchase of premises and equipment and intangibles assets and the decrease compared to 2009 amounts is due to a decrease in capitalized projects during the first nine months of 2010.

## FINANCING ACTIVITIES

Net cash used in financing activities amounted to \$1.5 million during the third quarter of 2010, compared to \$0.8 million in the third quarter of 2009 due to a dividend payment on common shares of \$1.4 million and to the purchase for cancellation of 18,548 common shares. Net cash used in the third quarter of 2009 was for the purchase for cancellation of 288,148 common shares. For the first nine months of 2010, net cash used in financing activities amounted to \$1.7 million for the purchase for cancellation of 65,548 common shares and for a dividend payment on common shares of \$1.4 million, compared to \$1.6 million for the corresponding period of 2009 due to the purchase for cancellation of 547,331 common shares for a cash consideration of \$1.7 million and to a reimbursement of a long-term debt in the amount of \$0.1 million, which was slightly offset by an issuance of a long-term debt of \$0.2 million.

## FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to certain financial risks. The Company does not hold financial instruments for speculative purposes but only to reduce the volatility of its results from its exposure to these risks. The nature and the extent of the risks arising from the financial instruments and

their related risk management are described in note 16 of the Company's audited consolidated financial statements of March 31, 2009. In the first nine months of 2010, there has been no material change to the nature of risks arising from financial instruments, related risk management and classification of financial instruments. Furthermore, there was no change in the methodology used in determining the fair value of the financial instruments that are measured at fair value in the Company's consolidated balance sheet.

## ■ RELATED PARTY TRANSACTIONS

All related party transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon by the parties. Our revenues with joint venture are coming from our partnership between Global Wine & Spirits and the Société des alcools du Québec. During the same quarter last year, revenues with joint ventures also included amortization of gains on licenses, which derive from the creation of Polygon DMCC.

Revenues earned from joint ventures amounted to \$0.1 million for the third quarter of 2010, compared to \$0.3 million for the third quarter of 2009. For the first nine months of 2010, revenues earned from joint ventures amounted to \$0.5 million, compared to \$1.0 million for the corresponding period of 2009.

During the first nine months of 2010, the Company paid an amount of \$262,890 to a corporate shareholder having a significant influence over the Company. The corporate shareholder provides management services to the Company, namely the services of Claude Roy, President and Chief Executive Officer of the Company. The transaction occurred in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed upon by the parties.

## ■ OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company finances certain of its activities off-balance sheet through leases. These arrangements and their impact on our results of operations and financial position are described in note 10 of the consolidated financial statements for the year ended March 31, 2009 and have not changed significantly since.

## ■ RISKS AND UNCERTAINTIES

The Company is confident of its long-term prospects. However, in order to ensure that its strategy and growth objectives are met, the Company seeks to diminish the risks and uncertainties created by potentially unfavorable situations in its industry sector or its liquidity. The risks that the Company faces are technological, operational or financial in nature or are inherent to its business activities or its acquisition strategies. The description of these risks and uncertainties has not changed compared to those described in the MD&A of the year ended March 31, 2009.

## ■ ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP and follow the same accounting policies and methods used in the preparation of the Company's audited consolidated financial statements of March 31, 2009 except for the item described below in the "Changes to accounting policies" section. See note 2 of the Company's audited consolidated financial statements for the year ended March 31, 2009 for more information on major accounting policies used in the preparation of the financial statements.

Some of the Company's accounting policies require significant estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of management's judgment. Actual results could differ from those estimates, and any such differences may be material to the Company's financial statements.

The key assumptions and basis for estimates that management has made under GAAP, and their impact on the amounts reported in the interim consolidated financial statements and the accompanying notes thereto, remain substantially unchanged from those described in the MD&A for the year ended March 31, 2009.

## ■ CHANGES TO ACCOUNTING POLICIES

### GOODWILL AND INTANGIBLE ASSETS

On April 1, 2009, the Company adopted Section 3064 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "Goodwill and Intangible Assets" which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". The new Section establishes standards for the recognition, costing, presentation and required information related to goodwill after its initial recognition. It also establishes the standard for when internally developed intangible assets satisfy recognition criteria as an asset.

The adoption of the new accounting standards resulted, in these interim financial statements, in a cumulative charge of \$76,437 to retained earnings on April 1, 2008 and \$20,937 on April 1, 2009. The transitional adjustment also resulted in the following changes to the Company's consolidated balance sheet: i) a decrease of \$98,653 in other assets on April 1, 2008, and of \$27,028 on April 1, 2009; ii) a decrease of \$22,216 in long-term future income tax liability on April 1, 2008, and an increase of \$6,091 in long-term future income tax asset on April 1, 2009. In addition, the Company was impacted by a \$21,473 decrease to the amortization of other assets for the quarter ended December 31, 2008, and a \$64,174 decrease for the nine-month period ended December 31, 2008. This adjustment also resulted in a \$4,376 increase of the provision for income taxes for the quarter ended December 31, 2008, and in a \$15,416 increase for the nine-month period ended December 31, 2008. These changes relate to pre-operating expenditures that were incurred and capitalized during previous business acquisitions that are no longer capitalized under the new accounting standards. These standards have no impact on the basic and diluted earnings per share for the quarter and the nine-month period ended December 31, 2008.

## ■ FUTURE ACCOUNTING CHANGES

### **INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) IMPLEMENTATION**

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises. We will prepare our interim and annual financial statements in accordance with IFRS for periods commencing on April 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. In preparation for the conversion to IFRS, the Company has developed an IFRS changeover plan with the help of third party advisors who will provide support to our staff and a team has been created and received the required training.

We have completed the diagnostic phase, which involved a high-level review of the differences between current Canadian GAAP and IFRS, as well as a review of the alternatives available on adoption. This analysis has identified a number of differences. At this time, the impact on our future financial position and results of operations is not reasonably determinable or estimable. As the implications of the transition and conversion are identified, the impacts on the other key elements of our conversion plan will be assessed. These key elements include: preparation of new disclosure requirements, information technology changes, education and training requirements, internal control over financial reporting, and impacts on business activities.

The Company will continually review and adjust the changeover plan to ensure the implementation process properly addresses the key elements of the plan.

## ■ FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect since they are subject to the risks and uncertainties that affect us. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

## ■ CONTROLS AND PROCEDURES

### **DISCLOSURE CONTROLS AND PROCEDURES**

The Company's management, with the participation of the Chief Financial Officer, have designed disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) to provide reasonable assurance that material information related to the Company is made known to the Audit Committee and the Board of Directors and information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time period specified in securities legislation. They have also evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) and have concluded that

such disclosures controls and procedures are effective for the fiscal year ended March 31, 2009. As of December 31, 2009, there has been no change in the Company's disclosure controls and procedures and those controls and procedures are therefore considered to be effective.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management, with the participation of the Chief Financial Officer, has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. As of March 31, 2009, they have evaluated the effectiveness of the Company's internal control over financial reporting and have concluded that such controls were effective. As of December 31, 2009, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

## **■ ADDITIONAL INFORMATION**

This report has been prepared as of February 9, 2010.

Additional information relating to the Company, including the annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **MARKET AND TICKER SYMBOL**

The common shares of Mediagrif trade on the Toronto Stock Exchange under the ticker symbol MDF.

## **HEAD OFFICE**

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## **BOARD OF DIRECTORS**

### **Claude Roy**

Québec, Canada

Chairman of the Board and Chief Executive Officer of the Company

Founder and Chief Executive Officer of Logibec Groupe Informatique Ltd.

### **Marc P. Brunet**

Québec, Canada

Chief Financial Officer

Logibec Groupe Informatique Ltd.

### **Patrice Commune**

Québec, Canada

President

Presagis Canada Inc.

**André Courtemanche**

Québec, Canada  
President and Chief Executive Officer  
VIAVAR Capital Inc.

**Michel Dubé**

Québec, Canada  
Consultant  
Savaria Corporation

**Gilles Laurin**

Québec, Canada  
Chartered accountant  
Advisor and director of corporations

**Jean-François Sabourin**

Québec, Canada  
President and Chief Executive Officer  
FinlogiK Inc.

**TRANSFER AGENT**

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