

**Mediagrif Interactive Technologies Inc.  
Management's Discussion and Analysis  
For the period ended December 31, 2008**

The following Management's Discussion and Analysis ("MD&A"), which has been prepared as of February 6, 2009, of the financial condition and results of operations of Mediagrif Interactive Technologies Inc. ("Mediagrif" or the "Company") for the period ended December 31, 2008 should be read in conjunction with the unaudited interim consolidated financial statements and related notes for that period as well as the MD&A, the audited consolidated financial statements and related notes contained in the Company's 2008 Annual Report.

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.

**GENERAL**

Mediagrif is a world-leading operator of e-business networks and provider of complete e-business solutions. Our e-business networks operate as dedicated Web sites 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. Our business members use our e-business networks and solutions to improve their productivity and enhance their competitiveness in today's rapidly expanding global marketplace. Founded in 1996, Mediagrif (TSX: MDF) is headquartered in the Greater Montréal area and has other offices in North America and Asia.

**HIGHLIGHTS**

- Board changes announced December 15, 2008, and February 6, 2009.
- Quarterly and year-to-date revenues stable year over year.
- Quarterly operating expenses before non-recurring expenses positively impacted by the restructuring plan and increased cost control measures.
- \$2.1 million gain on a reversal of a tax provision.
- Cash increased by \$1.6 million as compared to the corresponding period of last year.
- Free cash flow increased by \$2.6 and \$4.6 million for the quarter and the nine-month period.

## **SUPPLEMENTARY EARNINGS MEASURES**

In addition to providing an earnings measure in accordance with GAAP, the Company's statement of earnings show earnings from operations as a supplementary earnings measure. Earnings from operations are not intended to be a measure that should be regarded as an alternative to other financial operating performance measures prepared in accordance with Canadian GAAP. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Earnings from operations are provided to assist investors in determining the Company's ability in generating profitability from its operations.

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, intangible assets and other assets presented in the investing activities. This measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. It is provided to assist investors in determining the Company's ability in generating cash flows to finance its growth.

**CONSOLIDATED STATEMENT OF EARNINGS**

(Canadian dollars in Thousands, except per share amounts)	Three months ended December 31,		Nine months ended December 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Revenues</b>	<b>12 236</b>	12 242	<b>36 100</b>	35 615
<b>Cost of Revenues</b>	<b>2 919</b>	2 686	<b>8 434</b>	7 281
<b>Gross Margin</b>	<b>9 317</b>	9 556	<b>27 666</b>	28 334
<b>Operating expenses</b>				
General and administrative	4 764	3 146	11 074	9 102
Sales and marketing	3 179	2 931	8 386	7 926
Technology	2 106	2 097	6 461	6 504
Amortization of acquired intangible assets	435	554	1 332	1 240
Stock-based compensation	207	199	435	448
	<b>10 691</b>	8 927	<b>27 688</b>	25 220
<b>Earnings (loss) from operations</b>	<b>(1 374)</b>	629	<b>(22)</b>	3 114
Other income, net (note 3(b))	1 420	218	2 002	1 062
<b>Earnings before income taxes</b>	<b>46</b>	847	<b>1 980</b>	4 176
Provision for income taxes	(2 559)	257	(1 729)	1 907
<b>Net earnings for the period</b>	<b>2 605</b>	590	<b>3 709</b>	2 269
<b>Earnings per share (note 5(d))</b>				
Basic	<u>0,18</u>	<u>0,04</u>	<u>0,26</u>	<u>0,14</u>
Diluted	<u>0,18</u>	<u>0,04</u>	<u>0,26</u>	<u>0,14</u>
<b>Weighted average number of shares outstanding</b>				
Basic	<u>14 178 832</u>	<u>14 817 161</u>	<u>14 350 547</u>	<u>16 724 383</u>
Diluted	<u>14 178 832</u>	<u>14 845 063</u>	<u>14 350 547</u>	<u>16 800 379</u>
<b>Number of shares outstanding - End of period</b>				
Basic	<u>14 017 308</u>	<u>14 719 241</u>	<u>14 017 308</u>	<u>14 719 241</u>

## ACQUISITIONS AND MAJOR EVENTS

### FISCAL 2009

a) On February 6, 2009, the Board approved the increase of its current share buy-back program from 598,465 common shares to 735,962, in accordance with the Toronto Stock Exchange approval, starting February 11, 2009, and expiring March 4, 2009. To date, the Company has purchased 547,331 shares, therefore leaving a total of 188,631 shares to be purchased, if appropriate. Subject to regulatory and Toronto Stock Exchange approvals, the Board also approved the renewal of this program, for the twelve-month period starting March 5, 2009.

b) On December 15, 2008, the Board of Directors of the Company accepted the resignation of three of its members as well as the resignation of Denis Gadbois as President and Chief Executive Officer. The Board of Directors appointed Mr. Claude Roy as Chairman of the Board and interim Chief Executive Officer and appointed three new members in replacement of the departing Board members. Further, on February 6, 2009, Mr. Léon Courville stepped down from the Board and three new board members were appointed to the Board of Directors, which is now composed of a total of seven experienced members who will foster on profitability and growth.

c) In December, as part of a continuing exercise of cost control and with the change of executive described above, the Company paid a total of \$1.8 million in severance costs. Furthermore, the capitalized costs of \$0.4 million for an unrealized acquisition was written-off.

d) On November 4, 2008, Carrus Technologies Inc. (“Carrus”) signed an agreement with Uni-Select Inc. (TSX: UNS) under which the Carrus jobber management software (“JMS”) will be used in all Canadian corporate stores bearing the Uni-Select banner. Carrus’ JMS will also be promoted as the preferred provider of jobber management software systems and related services for Uni-Select’s network of 700 member stores.

e) On September 2, 2008, the Company acquired the assets of BUS System Inc. (“BUS”) which offers a range of Web applications to better manage insurance claims in the automotive industry. The purchase price was approximately CA\$520,000 including other acquisition costs. This acquisition was integrated into Carrus network.

f) In August 2008, the Board of Polygon DMCC decided to close its offices in Dubai in United Arab Emirates, in India and in Hong Kong. Mediagrif will continue to manage its international members from the office of Polygon in the United-States. To cover upcoming expenses related to closures, a general provision has been taken in the second quarter. Consequently, the Company expects to see a small positive impact resulting from such closures in the fourth quarter of this fiscal year.

## **FISCAL 2008**

a) On March 17, 2008, the Company announced that it significantly reduced its operating expenses through the reduction of headcount by approximately 15%, the implementation of increased cost controls and the transfer of resources in lower cost environments. These decisions address the challenges of the changing competitive and economic environments and the steady rise of the Canadian dollar. The reorganization touches most of Mediagrif's line of business and corporate departments. As a result, the fourth quarter of fiscal 2008 was negatively impacted by approximately \$0.5 million in severance costs.

b) On September 25, 2007, the Company purchased for cancellation 2,873,563 common shares at a price of \$8.70 per share, for a total cost of approximately \$25.3 million, including related costs, as part of a substantial issuer bid. The Board of Directors of Mediagrif had determined that the purchase of common shares pursuant to this issuer bid represented an effective use of Mediagrif's financial resources and was in the best interests of its shareholders.

c) On September 10, 2007, the Company purchased epipeline Inc. ("EPI"), a leading online source of research for U.S. government contractors. EPI is also recognized for providing the most advanced research services in the industry, which is a solid asset for our e-Publishing networks as it enables us to offer increased value and continues to consolidate our leading position as the provider of complete and efficient source of government business opportunities in North America. The total purchase price including other acquisition costs was approximately US\$3.8 million (CA\$4.0 million), which included the reimbursement of long-term notes and other liabilities for approximately US\$1.8 million (CA\$1.9 million).

d) On August 6, 2007, MERX signed an agreement with McGraw-Hill Construction, the premier provider of construction information and intelligence in North America and part of The McGraw-Hill Companies (NYSE: MHP) to collaborate on expanding information offerings to the construction and building products industry in Canada and the U.S. MERX and McGraw-Hill Construction work together on the publishing of construction project data to provide additional value to both the Building Products Manufacturers and Contractor markets. Technology and expertise are shared by both companies to drive common goals, expanding the reach and the quality of current information services.

e) On July 11, 2007, the Company purchased Market Velocity Inc. ("MVI"), a leading service and technology provider for equipment trade-in, recycle, and donation programs in the U.S. MVI is well respected for its expertise in developing compelling solutions for the trade-in market and will strategically complement our Parts Exchange networks. It offers added value to our current customers by giving them access to top-tier manufacturers, and brings the largest pool of aftermarket remarketers to existing MVI clients. The acquisition of MVI solidifies our position as one of the predominant players and accelerates the expansion of our Parts Exchange networks throughout North America. It also extends Mediagrif's reach in penetrating the end-consumer market

segment. The total purchase price including other acquisition costs was approximately US\$5.4 million (CA\$5.7 million).

f) On April 17, 2007, the Company acquired the customer base of Telephone International (“TI”), an advertising and listing publication focused on the telecom industry for a purchase price of approximately US\$168,000 (CA\$190,000) including other acquisition costs. This acquisition was integrated into the Power Source On-Line network.

## **REVENUES**

Revenues remain stable at \$12.2 million compared to the corresponding quarter of last year. Revenues during the quarter, as compared to last year, were impacted by the following factors:

- During the current quarter, networks such as MERX, BidNet, MVI, Carrus and Global Wine & Spirits showed particularly healthy growth as compared to the corresponding quarter of last year. Such growth was offset by a decrease in The Broker Forum due to lower membership revenues as well as a decrease in Power Source On-Line, caused by lower average revenue per members.
- 63.66% of this quarter’s reported revenues were earned in US dollars. The foreign exchange fluctuations alone positively impacted quarterly revenues by \$0.3 million. On a constant currency basis, total revenues decreased by \$0.2 million compared to last year.

Revenues for the nine-month period reached \$36.1 million as compared to \$35.6 million in the corresponding period of last year. Revenues during the period, as compared to last year, were impacted by the following factors:

- During the nine-month period, networks such as MERX, Carrus, BidNet, CBI and Global Wine & Spirits showed particularly healthy growth as compared to the corresponding period of last year. Such growth was offset by a decrease in The Broker Forum due to lower membership revenues as well as a decrease in Power Source On-Line, caused by lower average revenue per members.
- 63.72% of this period’s reported revenues were earned in US dollars. The foreign exchange fluctuations alone negatively impacted revenues by \$0.8 million. On a constant currency basis and including the impact of MVI and EPI acquisitions, total revenues increased by \$1.3 million compared to last year.

## **GROSS MARGIN**

Gross margin as a percentage of revenue decreased to 76.1% during the quarter as compared to 78.1% for the previous year. This decrease is explained by the impact of EPI and Carrus, which have a lower gross margin.

For the nine-month period, gross margin as a percentage of revenue decreased to 76.6% during the current period from 79.6% for the previous year. This decrease is explained by the same elements above.

## **OPERATING EXPENSES**

For the quarter ended December 31, 2008, total operating expenses increased to \$10.7 million as compared to \$8.9 million for the previous year. This increase is mainly due to non-recurring expenses regarding severance payments of \$1.7 million and the write-off of capitalized acquisition costs for an unrealized acquisition of \$0.4 million. Over the period, operating expenses were impacted by the following elements:

- General and administrative charges increased to \$4.8 million as compared to \$3.1 million in the corresponding quarter of last year. This increase is mainly due to non-recurring expenses regarding severance payments of \$1.6 million and the write-off of capitalized acquisition costs for an unrealized acquisition of \$0.4 million.
- Sales and marketing expenses increased from \$2.9 million last year to \$3.2 million for the quarter ended December 31, 2008. This is attributable to higher bad debts due to economic environment.
- Technology expenses remained stable at \$2.1 million as compared to the corresponding quarter of last year.
- The amortization of acquired intangible assets decreased from \$0.6 million to \$0.4 million in comparison to the same period last year.
- Lastly, the Stock-based compensation expense remained stable at \$0.2 million as compared to the corresponding quarter of last year.

For the nine-month period ended December 31, 2008, total operating expenses increased to \$27.7 million as compared to \$25.2 million for the previous year. This increase is mainly due to non-recurring expenses regarding severance payments of \$1.8 million and the write-off of capitalized acquisition costs for an unrealized acquisition of \$0.4 million. Over the period, operating expenses were impacted by the following elements:

- General and administrative charges increased from \$9.1 million to \$11.1 million, which is mainly due to the non-recurring expenses regarding severance payments

of \$1.7 million and the write-off of capitalized acquisition costs for an unrealized acquisition for \$0.4 million.

- Sales and marketing expenses increased from \$7.9 million last year to \$8.4 million for the nine months ended December 31, 2008. This increase is partly attributable to the impact of the MVI and EPI acquisitions and higher bad debts due to economic environment offset by lower salaries and advertising expenses.
- Technology expenses remained stable at \$6.5 million as compared to the corresponding quarter of last year.
- The amortization of acquired intangible assets increased slightly from \$1.2 million to \$1.3 million.
- Lastly, the Stock-based compensation expense remained stable at \$0.4 million compared to last year.

### **EARNINGS (LOSS) FROM OPERATIONS**

Loss from operations during the quarter ended December 31, 2008 amounted to \$1.4 million as compared to earnings of \$0.6 million in the corresponding quarter of last year. This decrease is mainly due to non-recurring expenses regarding an unrealized acquisition and severance payments.

Loss from operations for the nine months period ended December 31, 2008 amounted to \$22 thousands as compared to earnings of \$3.1 million last year. This decrease is mainly due to the same elements explained above.

### **OTHER INCOME**

For the quarter ended December 31, 2008, other income reached \$1.4 million compared to \$0.2 million in the corresponding quarter of last year. This increase is mainly due to a positive impact of foreign exchange rate fluctuation.

During the nine-month period ended December 31, 2008, other income amounted to \$2.0 million compared to \$1.1 million last year. This increase is mainly due to a positive impact of foreign exchange rate fluctuation partly offset by lower interests' income.

### **PROVISION FOR INCOME TAXES**

For the quarter ended December 31, 2008, the provision for income taxes amounted to a net tax recovery of \$2.6 million, representing a negative effective tax rate, as compared to an expense of \$0.3 million for the corresponding quarter of last year, representing a 30.3% effective tax rate.

For the nine-month period ended December 31, 2008, the provision for income taxes amounted to a net tax recovery of \$1.7 million, representing a negative effective tax rate, as compared to an expense of \$1.9 million for the corresponding period of last year, representing a 45.7% effective tax rate. The weighted statutory tax rates for fiscal 2009 and fiscal 2008 were 30.9% and 31.74% respectively, a decrease due to the reduction of the federal Canadian rate.

For the quarter and the nine-month period ended December 31, 2008, the main factors accounting for the net tax recovery are non taxable foreign exchange gain, the net tax recovery between the reversal of a tax provision of \$2.1 million and prior years' tax adjustments and assessments and non deductible expenses from foreign entities and stock based compensation.

For the quarter and the nine-month period ended December 31, 2007, non deductible expenses from foreign entities, from stock based compensation and from foreign exchange loss and interest income taxed at higher rate were the main factors accounting for the difference between effective and statutory rates.

## **EARNINGS PER SHARE**

Basic earnings per share for the quarter were \$0.18 as compared to earnings of \$0.04 in last year's corresponding quarter, mainly due to the reversal of a tax provision. The basic weighted average number of common shares outstanding for the quarters ended December 31, 2008 and 2007 amounted to 14.2 million and 14.8 million respectively.

For the nine-month period ended December 31, 2008, basic earnings per share was \$0.26 as compared to \$0.14 in last year's corresponding period, mainly due to the reversal of a tax provision. The basic weighted average number of common shares outstanding for the periods ended December 31, 2008 and 2007 amounted to 14.4 million 16.7 million. This decrease in mainly due to a substantial issuer bid for which the Company purchased 2,873,563 shares for cancellation in the second quarter of last year.

## QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters as of December 31, 2008 is disclosed below:

	2007	2008				2009		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Revenues</b>	11,202	11,272	12,102	12,242	12,133	11,978	11,886	12,236
<b>Earnings (loss) from operations</b>	(162)	1,304	1,183	629	(329)	478	874	(1,374)
<b>EBITDA</b>	1,252	2,726	2,916	2,550	1,502	2,280	2,635	452
<b>Net earnings (loss)</b>	79	811	868	590	(318)	309	795	2,605
<b>Basic EPS (LPS)</b>	0,00	0,05	0,05	0,04	(0,02)	0,02	0,06	0,18
<b>Diluted EPS (LPS)</b>	0,00	0,05	0,05	0,04	(0,02)	0,02	0,06	0,18

## 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.

During the quarter ended December 31, 2008, revenues earned from joint ventures decreased to \$0.3 million compared to \$0.4 million in the corresponding quarter of last year.

During the nine-month period ended December 31, 2008, revenues decreased to \$ 1.0 million as compared to \$1.1 million in the corresponding period of last year.

## LIQUIDITY AND FINANCIAL RESOURCES

Since our inception, we have financed our operations and met our capital expenditure requirements primarily through cash flows from operating activities. Before fiscal 2008, our cash flows from operating activities have increased considerably mainly due to higher profitability. These higher cash flows from operating activities have been used to meet capital expenditures and have resulted in significant free cash flow. Such free cash flow has been used to fund business acquisitions and to purchase common shares for cancellation, including last year substantial issuer bid for which the Company purchased for cancellation 2,873,563 common shares at a price of \$8.70 per share, for a total cost of approximately \$25.3 million. The Board of Directors of Mediagrif had determined that the purchase of common shares pursuant to this issuer bid represented an effective use of Mediagrif's financial resources and was in the best interests of its shareholders.

In the last few quarters, the restructuring of the management, the additional investments in the marketing and international activities, the reorganization of the overall headcount of the company and the decrease in the interest income had a temporary negative impact on the free cash flow.

However, we believe that these investments will give positive results in the coming quarters.

Over the coming years, we expect to maintain our policy of using free cash flow in order to fund acquisitions and, if desirable, the purchase of additional common shares for cancellation. We also expect to maintain our policy of holding cash resources in order to pursue acquisitions whose funding requirements are potentially in excess of our free cash flow generation capabilities.

As of December 31, 2008, our cash and cash equivalents reached \$27.7 million, a decrease from \$27.8 million as of March 31, 2008 and an increase from \$26.0 million as of December 31, 2007.

### **Operating activities**

For the quarter ended December 31, 2008, net cash provided by operating activities increased at \$3.4 million as compared to a contribution of \$1.4 million for the corresponding quarter of last year. The variation is explained by a positive increase in the changes in non-cash working capital items as well as higher future income taxes.

For the nine-month period ended December 31, 2008, net cash provided by operating activities amounted to \$5.0 million as compared to a contribution of \$0.6 million in the corresponding period of last year. The variation is explained by a positive increase in the changes in non-cash working capital items as well as higher future income taxes.

### **Investing activities**

For the quarter ended December 31, 2008, net cash used by investing activities amounted to \$0.7 million. This amount was used for the purchase of premises and equipment, intangible and other assets.

For the quarter ended December 31, 2007, net cash used by investing activities amounted to \$1.2 million for the purchase of premises and equipment, intangible and other assets.

For the nine-month period ended December 31, 2008, net cash used by investing activities amounted to \$3.0 million. This amount was used for the purchase of BUS Systems Inc. assets (\$0.5 million) as well as for premises and equipment, intangible and other assets.

For the nine-month period ended December 31, 2007, net cash provided by investing activities amounted to \$43.5 million. This amount is mainly comprised of the transfer of \$53.0 million from short-term investments to cash and cash equivalents offset by \$6.4

million for the acquisition of Telephone International, Market Velocity and e-Pipeline in April, July and September respectively and \$3.2 million for the purchase of premises and equipment and intangible assets.

### **Financing activities**

For the quarter ended December 31, 2008 net cash used by financing activities amounted to \$0.8 million mainly due to the purchase for cancellation of 288,148 common shares for a cash consideration of \$0.7 million.

For the quarter ended December 31, 2007 net cash used by financing activities amounted to \$1.8 million due to reimbursement of \$0.5 million of certain purchase price payable items and the cancellation of 220,941 common shares for a cash consideration of \$1.4 million, slightly offset by the reimbursement from shareholders of share purchase financing agreements for \$0.1 million.

For the nine-month period ended December 31, 2008, net cash used by financing activities amounted to \$1.6 million due to the purchase for cancellation of 547,331 common shares for a cash consideration of \$1.7 million partly offset by an issuance of long term debt of \$0.2 million.

For the nine-month period ended December 31, 2007, net cash used by financing activities amounted to \$27.6 million due to the cancellation of 289,541 common shares for a cash consideration of \$2.1 million, the Substantial Issuer Bid for \$25.3 million, the proceeds of \$0.3 million from the issuance of 80,250 common shares as part of the stock option plan, the reimbursement from shareholders of share purchase financing agreements for \$0.1 million and the repayment of certain purchase price payable items for \$0.7 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. More information on financial instruments is presented in note 12 of the consolidated financial statements in the Company's 2008 Annual Report.

## **CHANGES IN ACCOUNTING POLICIES**

### **Capital Disclosures**

On April 1, 2008, the Company adopted Section 1535 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Capital Disclosures" which requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements

pertaining to Section 1535 are contained in note 6 of the consolidated financial statements.

### **Financial Instruments Disclosures and Presentation**

On April 1, 2008, the Company adopted Sections 3862 and 3863 of the CICA Handbook, “Financial Instruments – Disclosures” and “Financial Instruments – Presentation”. This new section disclosures of risks associated with financial instruments, including fair value as well as credit, liquidity and market risks. It also establishes standards for presentation of financial instruments and non-financial derivatives. Section 3862 and 3863 supersede Section 3861. The adoption of Section 3862 required additional disclosures found in note 7 of the consolidated financial statements.

### **Future Accounting Changes**

Effective for fiscal years starting October 1, 2008, Section 3064 of the CICA Handbook, “Goodwill and Intangible Assets” replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Charges”. The Company will adopt the new standards to its financial statements of fiscal year starting April 1, 2009. The new Section establishes standards of recognition, costing, presentation and required information related to goodwill after its initial recognition and also explains when internally developed intangible assets satisfy the recognition criteria as an asset. The Company currently evaluates the incidence of the adoption of this new Section on its consolidated financial statements.

### **International Financial Reporting Standards (IFRS) Implementation**

The Company is currently evaluating the impact and potential effect that could result from preparing the Company’s consolidated financial statements in accordance with IFRS given that the Canadian Accounting Standards Board confirmed that IFRS will replace current Canadian standards and interpretations for publicly accountable companies. The adoption of IFRS will have an impact on the Company reported consolidated financial statements, for fiscal year 2012. The Company is currently performing a high-level accounting diagnostic by identifying differences between IFRS and accounting policies and procedures currently adopted by the Company. Next steps will be to evaluate the impact of adopting IFRS 1, “First Time Adoption of International Financial Reporting Standards”, to design and plan for the implementation, to identify possible accounting, information system and business solutions, and to provide appropriate training to finance personnel and senior executives.

### **CRITICAL ACCOUNTING POLICIES**

The Company’s critical accounting policies have not changed from those described in the Company’s 2008 Annual Report.

## **RISKS AND UNCERTAINTIES**

The Company's risk and uncertainties have not changed from those described in the Company's 2008 Annual Report, except for economic risk. The current economic downturn may cause our revenue to decline. The level of business activity of our clients, which is affected by economic conditions, has a bearing upon the results of our operations. We can neither predict the impact that current economic conditions will have on our future revenue, nor predict when economic conditions will show meaningful improvement. During an economic downturn, our clients and potential clients often cancel, reduce, defer or delay entering into new engagements. This may cause our pricing, revenue and profitability to be negatively impacted.

## **OFF-BALANCE SHEET ARRANGEMENTS**

In the normal course of business, the Company finances certain of its activities off balance sheet through operating leases. The description of these arrangements and their impact on our results of operations and financial position for the year ended March 31, 2008 can be found in note 11 of the consolidated financial statements in the Company's 2008 Annual Report and have not materially changed since then.

## **OUTLOOK**

The Company's outlook for fiscal 2009 has changed from what was disclosed in the MD&A of the fiscal 2008 Annual Report, due to economic uncertainties, possible future recession and the recent increase in the US dollar.

Furthermore, a strategic review of the current business and opportunities by the new management is under way. The result of this exercise may impact the Company's net earnings, capital expenditures, strategic acquisitions and cash flow.

On an annual basis or more frequently if impairment indicators arise, we review our goodwill based upon our analysis and an independent valuation. The valuation is determined using a combination of the income and market approaches on an invested capital basis, which is the market value of equity. Independent valuations are performed in the fourth quarter of each year. Although we have not yet performed our impairment test for the current year, it is possible that current economic conditions and the exercise of the strategic review by the new management could result in an impairment charge once it is performed.

The Company has increased under its share buyback program the number of shares it is allowed to purchase, for the twelve-month period starting March 5, 2008, up to 735,962 common shares, of which 547,331 have been repurchased to date. Subject to regulatory

and Toronto Stock Exchange approvals, the Board also approved the renewal of this program, for the twelve-month period starting March 5, 2009.

## **ADDITIONAL INFORMATION**

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

Mediagrif Interactive Technologies Inc.'s shares trade on the Toronto Stock Exchange under the ticker symbol MDF.

The number of common shares outstanding as of February 6, 2009 is 14,017,308.

The number of stock options outstanding as of February 6, 2009 is 870,300.

## **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 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.*