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INTERACTIVE TECHNOLOGIES

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED MARCH 31, 2010

Management Discussion and Analysis

FOR THE YEAR ENDED MARCH 31, 2010

The following Management Discussion and Analysis (“MD&A”), which has been prepared as at June 8, 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 audited consolidated financial statements and accompanying notes thereto as at March 31, 2010 and 2009. This discussion and analysis compares performance for the fiscal years ended March 31, 2010 and 2009 and discusses risks and uncertainties that can be expected to impact on future operations. 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.

■ PROFILE

Mediagrif delivers e-commerce solutions to businesses since 1996. Its e-business networks operate as dedicated Web platforms within specific business sectors, enabling its clients to find, purchase and sell products, to exchange information and to access business opportunities with greater speed and efficiency. The client base of Mediagrif includes small and medium businesses, large companies from various regions of the world as well as government agencies primarily Canadian and American. The Company currently provides e-commerce solutions in the fields of electronics components, computer equipment and telecommunications, medical equipment, automotive aftermarket, wine & spirits, diamonds and jewelry and government opportunities. Mediagrif's services are delivered by an experienced team of 340 employees. Mediagrif (TSX: MDF) has its headquarters in Longueuil and has offices in the Metropolitan areas of Ottawa and Atlanta, and in the American cities of Albany, San Diego and Tampa and in Shenzhen, in China.

■ MISSION STATEMENT

Our mission is to provide businesses with innovative e-commerce solutions to help them maximize their reach and effectiveness. In doing so, we seek to create value for clients, employees and shareholders.

■ HIGHLIGHTS

The fiscal year just ended has been a year where Mediagrif's operational strategy to re-establish a positive operational margin in all its business networks has showed positive results, while allowing the Company to adopt a semi-annual cash dividend policy. Under this policy, a cash dividend of \$0.10 per share was paid in the third quarter of fiscal year 2010.

The highlights of the fiscal year are as follows:

- Increase of 138% in EBITDA, reaching \$12.4 million for fiscal year 2010 compared to \$5.2 million for the previous year.
- Increase of \$17.3 million in earnings from operations, reaching \$9.5 million for fiscal year 2010 compared to a loss of \$7.8 million for the previous year.
- Increase of \$3.8 million in net earnings, reaching \$2.5 million for fiscal year 2010 compared to a loss of \$1.3 million for the previous year.
- Revenues of \$45.7 million for fiscal year 2010, compared to \$47.9 million for the previous year.
- Cash and cash equivalents reached \$34.4 million on March 31, 2010, compared to \$27.7 million on March 31, 2009.

■ SELECTED FINANCIAL INFORMATION

	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$
CONSOLIDATED STATEMENT OF EARNINGS (LOSS) ⁽¹⁾						
REVENUES	45,725	47,940	47,749	46,044	50,128	46,321
GROSS MARGIN	35,433	36,819	37,706	37,525	42,093	38,785
OPERATING EXPENSES						
General and administrative	8,676	16,230	12,691	12,264	9,674	9,231
Sales and marketing	8,735	11,159	10,717	8,544	8,109	7,427
Technology	7,574	8,342	9,210	8,173	8,091	8,619
Amortization of acquired intangible assets	690	1,557	1,663	1,255	1,199	1,456
Stock-based compensation	281	465	640	603	977	738
Restructuring charges	-	-	-	-	-	1,024
Impairment of intangible assets and acquired intangible assets	-	6,610	-	-	-	-
Loss on disposal of an investment	-	213	-	-	-	-
TOTAL OPERATING EXPENSES	25,956	44,576	34,921	30,839	28,050	28,495
EARNINGS (LOSS) FROM OPERATIONS	9,477	(7,757)	2,785	6,686	14,043	10,290
EBITDA	12,435	5,175	9,694	12,522	19,951	17,116
NET EARNINGS (LOSS)	2,527	(1,293)	1,951	5,057	9,779	7,540
Basic net earnings (loss) per share	0.18	(0.09)	0.12	0.29	0.54	0.42
Diluted net earnings (loss) per share	0.18	(0.09)	0.12	0.28	0.53	0.40
Shares outstanding (basic in thousands)	13,939	14,262	16,201	17,567	18,043	18,023
Shares outstanding (diluted in thousands)	13,939	14,262	16,259	17,873	18,574	18,766
CONSOLIDATED BALANCE SHEET						
Cash and cash equivalents	34,360	27,734	27,798	64,319	60,899	51,593
Long-term assets	36,668	40,092	45,982	36,650	35,911	36,096
Total assets	82,182	81,797	85,583	108,321	104,639	94,855
Total liabilities	19,538	21,321	22,324	19,390	18,465	14,656
Shareholders' equity	62,644	60,476	63,258	88,931	86,174	80,200
CONSOLIDATED STATEMENT OF CASH FLOW						
Cash flow from operating activities	11,714	4,162	5,623	12,633	17,320	13,527
Cash flow used for capital expenditures	(1,131)	(2,784)	(4,310)	(3,577)	(4,101)	(3,553)
Cash flow used for business acquisitions	-	(577)	(8,088)	(2,468)	(641)	(19,121)
Cash flow used for financing activities	(1,804)	(1,859)	(28,359)	(3,364)	(5,356)	(400)

⁽¹⁾ Canadian dollars in thousands, except per share amounts.

Certain figures for 2009 have been restated following the adoption of new accounting standards described in the "Changes to Accounting Policies" section.

RECONCILIATION OF EBITDA AND NET EARNINGS (LOSS) ⁽¹⁾	2010	2009
NET EARNINGS (LOSS)	2,527	(1,293)
Interest income	(87)	(516)
Loss on disposition and impairment	-	6,823
Other expenses	326	430
Income taxes	4,191	(4,165)
Amortization of premises and equipment and intangible assets	1,988	4,086
Amortization of acquired intangible assets	690	1,557
Stock-based compensation	281	466
Foreign exchange loss (gain)	2,519	(2,213)
EBITDA	12,435	5,175

⁽¹⁾ Canadian dollars in thousands.

Certain figures for 2009 have been restated following the adoption of new accounting standards 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 for the year ended March 31, 2010 decreased in comparison to last year from \$47.9 million to \$45.7 million.

- Our business networks MERX, BidNet, GovernmentBids, Carrus, pipeline and Interactive Procurement Technologies ("IPT") operate in markets less affected by the economic conditions of North American markets and are showing healthy organic growth. However, revenues from The Broker Forum, Power Source On-Line, Market Velocity and Polygon networks are affected by the economic slowdown of their respective industries.
- In original currencies, revenues decreased by \$2.8 million for the year ended March 31, 2010 compared to the previous year.
- Revenues earned in US dollars represent 57% of total revenues for the year ended March 31, 2010, compared to 63% in the previous year. As a result, the variation in the value of the Canadian dollar compared to the US dollar combined with our hedge coverage generated a positive impact on revenues of \$0.6 million during the year ended March 31, 2010.

GROSS MARGIN

Gross margin increased to 77.5% during the year ended March 31, 2010, compared to 76.8% for the previous year. The increase is mainly due to the headcount reduction and a better cost control.

OPERATING EXPENSES

For the year ended March 31, 2010, operating expenses decreased to \$26.0 million, compared to \$44.6 million for the previous year. The decrease in operating expenses is explained by the following items:

- General and administrative expenses decreased to \$8.7 million this year, compared to \$16.2 million for the previous year. This decrease is mainly due to the general headcount reduction throughout the Company during the last quarter of 2009 which caused severance payments of \$3.2 million. This reduction represents a payroll saving of \$2.9 million this year. During the previous year, an expense of \$0.4 million was incurred for an unrealized acquisition. The decrease in amortization expenses represents a saving of \$0.4 million. In addition, various savings have been achieved this year, including reducing the number of the Company's offices.
- Sales and marketing expenses decreased to \$8.7 million this year, compared to \$11.2 million for the previous year. This decrease is due to the general headcount reduction throughout the Company and lower representation fees and bad debt expenses.
- Technology expenses decreased to \$7.6 million this year compared to \$8.3 million for the previous year. This decrease is mainly due to lower salary expenses and a decrease in amortization expenses offset by lower capitalization of development expenses.
- Amortization of acquired intangible assets decreased this year to \$0.7 million from \$1.6 million in the previous year due to the impairment recorded on March 31, 2009.
- Stock-based compensation expense decreased to \$281,000 this year, compared to \$465,000 for the previous year, mainly due to a lower number of outstanding stock options following the headcount reduction throughout the Company.
- Operating expenses in fiscal year 2009 include impairment of acquired intangible assets of \$3.6 million, write off of capitalized software of \$3.0 million and loss on disposal of an investment of \$0.2 million.

EARNINGS FROM OPERATIONS

For the year ended March 31, 2010, earnings from operations reached \$9.5 million compared to a loss of \$7.8 million for the previous year. This increase is mainly due to lower salary expenses and severance payments, to the decrease in expenses related to amortization and to the impairment recorded in fiscal year 2009 on intangible assets and acquired intangible assets.

OTHER INCOME (EXPENSES)

For the year ended March 31, 2010, other income (expenses) amounted to (\$2.8 million) compared to \$2.3 million last year. This decrease is mainly due to a foreign exchange loss on our US dollar assets of \$2.5 million this year, compared to a foreign exchange gain of \$2.2 million last year.

PROVISION FOR INCOME TAXES

For the year ended March 31, 2010, the provision for income taxes amounted to \$4.2 million, representing a 62.4% effective tax rate, compared to a net tax recovery of \$4.2 million last year, representing a 76.3% effective tax rate. The weighted statutory tax rate is 30.65%, compared to 30.9% in 2009, a decrease related to a lower Canadian federal income tax rate.

The high effective tax rate for this year is due to the effect of exchange revaluation of future income tax assets denominated in US currency and to prior years' tax adjustments and assessments. For the year ended March 31, 2009, the main factors explaining the difference between the statutory and effective tax rates are the reversal of a tax provision of \$2.1 million, the effect of exchange revaluation of future income tax assets, the non-deductible expenses and the stock-based compensation.

EARNINGS (LOSS) PER SHARE

The basic earnings per share for the year was \$0.18 compared to a basic loss per share of \$0.09 last year. The basic weighted average number of common shares outstanding for the years ended March 31, 2010 and 2009 was 13.9 million and 14.3 million respectively.

■ SUMMARY OF FOURTH QUARTER RESULTS

	Q4 2010	Q4 2009
	\$	\$
CONSOLIDATED STATEMENT OF EARNINGS (LOSS) ⁽¹⁾		
REVENUES	11,147	11,840
GROSS MARGIN	8,532	9,153
OPERATING EXPENSES		
General and administrative	1,812	5,220
Sales and marketing	2,126	2,773
Technology	2,045	1,881
Amortization of acquired intangible assets	172	225
Stock-based compensation	66	30
Impairment of intangible assets and acquired intangible assets	-	6,610
Loss on disposal of an investment	-	213
TOTAL OPERATING EXPENSES	6,221	16,952
EARNINGS (LOSS) FROM OPERATIONS	2,311	(7,799)
EBITDA	3,016	(192)

⁽¹⁾ Canadian dollars in thousands.

Certain figures for 2009 have been restated following the adoption of new accounting standards described in the "Changes to Accounting Policies" section.

REVENUES

Revenues for the fourth quarter of 2010 reached \$11.1 million compared to \$11.8 million in the corresponding quarter of last year. This decrease is attributable mainly to lower revenues coming from The Broker Forum, Power Source On-Line, Market Velocity and Polygon, which are affected by the economic slowdown. In original currencies, revenues decreased by \$0.5 million and the variation in the value of the Canadian dollar compared to the US dollar combined with our hedge coverage generated a negative impact of \$0.2 million compared to the corresponding quarter last year.

GROSS MARGIN

For the fourth quarter of 2010, gross margin was 76.5% compared to 77.3% for the corresponding quarter of last year.

OPERATING EXPENSES

For the fourth quarter of 2010, total operating expenses amounted to \$6.2 million compared to \$17.0 million for the corresponding quarter of last year. This decrease is mainly due to the reduction in salary expenses and operating expenses in 2009, including severance expenses of \$2.3 million, impairment of acquired intangible assets of \$3.6 million, write off of capitalized software of \$3.0 million, and loss on disposal of an investment of \$0.2 million.

EARNINGS (LOSS) FROM OPERATIONS

For the fourth quarter of 2010, earnings from operations amounted to \$2.3 million compared to a loss of \$7.8 million in the corresponding quarter of last year. This increase is attributable to the same reasons explained above.

OTHER INCOME (EXPENSE)

For the fourth quarter of 2010, other income (expense) amounted to (\$0.2 million) compared to \$0.3 million in the corresponding quarter of last year. This decrease is mainly due to foreign exchange loss.

PROVISION FOR INCOME TAXES

For the fourth quarter of 2010, the provision for income taxes amounted to an expense of \$1.2 million, representing a 56.0% effective tax rate, compared to a net tax recovery of \$2.5 million in the corresponding quarter of last year, representing a 31.4% effective tax rate.

The high effective tax rate for the fourth quarter of 2010 is due to the effect of exchange revaluation of future income tax assets denominated in US currency and to prior years' tax adjustments and assessments. For the fourth quarter of 2009, the main factors explaining the difference between statutory and effective tax rates are the non-taxable foreign exchange gain, the non-deductible expenses and the stock-based compensation.

EARNINGS (LOSS) PER SHARE

The basic earnings per share for the quarter was \$0.06 compared to a basic loss per share of \$0.35 in the corresponding quarter of last year. The basic weighted average number of common shares outstanding for the quarters ended March 31, 2010 and 2009 was respectively 13.9 million and 14.3 million.

QUARTERLY PERFORMANCE

Selected quarterly financial information for the eight most recently completed quarters as at March 31, 2010 is disclosed below:

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenues	11,978	11,886	12,236	11,840	11,693	11,468	11,417	11,147
Earnings (loss) from operations	500	895	(1,353)	(7,799)	1,878	2,751	2,537	2,311
EBITDA	2,280	2,635	452	(192)	2,632	3,453	3,334	3,016
Net earnings (loss)	325	811	2,622	(5,051)	(193)	683	1,121	916
Basic EPS (LPS)	0.02	0.06	0.18	(0.35)	(0.01)	0.05	0.08	0.06
Diluted EPS (LPS)	0.02	0.06	0.18	(0.35)	(0.01)	0.05	0.08	0.06

Canadian dollars in thousands, except per share amounts.

Certain figures for 2009 have been restated following the adoption of new accounting standards described in the "Changes to Accounting Policies" section.

2010 QUARTERS

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

2009 QUARTERS

- Earnings from operations in the first and second quarters of the year reflect the total operational results of Market Velocity and pipeline, which were acquired 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 disposal of Centerac DMCC of \$0.2 million.

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 at March 31, 2010, our cash and cash equivalents amounted to \$34.4 million, an increase compared to \$27.7 million as at March 31, 2009.

OPERATING ACTIVITIES

For the year ended March 31, 2010, net cash generated by operating activities amounted to \$11.7 million compared to \$4.2 million for the previous year. This increase is mainly due to higher net earnings, to a

variation of future income taxes and to higher variation in non-cash working capital items partially offset by a reduction of amortization expenses and impairment of acquired intangible assets.

INVESTING ACTIVITIES

For the year ended March 31, 2010, net cash used for investing activities amounted to \$1.1 million, compared to \$3.4 million last year. In 2009, the amounts were used for a business acquisition and purchases of premises and equipment and intangible assets. The decrease compared to 2009 activities is mainly due to a decrease in our need for capital expenditures during the fiscal year of 2010.

FINANCING ACTIVITIES

For the year ended March 31, 2010, net cash used for financing activities amounted to \$1.8 million, due to a dividend payment on common shares of \$1.4 million and to the purchase for cancellation of 78,314 common shares under a normal course issuer bid. Net cash used for last year's financing activities amounted to \$1.9 million due to the purchase for cancellation of 590,581 common shares.

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 as at March 31, 2010.

The Company's hedging program will yield an average Canadian/US exchange rate of 1.06 on foreign currency forward contracts of US\$12.6 million in fiscal 2011 and 2012 as compared to 1.12 on foreign currency forward contracts of US\$8.1 million in fiscal 2010.

In fiscal year 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 from joint venture are from Global Wine & Spirits, our partnership with the Société des alcools du Québec. During the previous year, revenues from joint ventures also included amortization of gains on licenses, which derived from the creation of Polygon DMCC.

For the year ended March 31, 2010, revenues earned from transactions conducted with joint ventures amounted to \$0.7 million, compared to \$1.2 million last year. This decrease is due to our joint venture activities in Asia that ceased (Polygon DMCC) or were sold (Centerac DMCC) in fiscal year 2009.

During the year ended March 31, 2010, the Company paid a management fee of \$588,167 to a corporate shareholder who has 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. 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 as at March 31, 2010. There was a significant change in fiscal year 2010 since the Company has signed a new lease for a 10-year term, cancellable after five years by paying a penalty, to accommodate the Company's offices in Longueuil.

■ 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.

RETENTION OF CUSTOMERS

We depend on our customer base for a significant portion of our revenues. If our customers fail to renew their contracts, or fail to purchase additional services, then our revenues could decrease and our operating results could be adversely affected. Factors influencing such contract terminations could include changes in the financial circumstances of our customers, dissatisfaction with our products or services, our retirement or lack of support for our legacy products and services, our customers selecting or building alternate technologies to replace us, and changes in our customers' business that may no longer necessitate the use of our services, or other reasons. Furthermore, our customers could delay or terminate implementations or use of our services or be reluctant to migrate to new services. Such customers will not generate the revenues anticipated within the timelines anticipated, if at all, and may be less likely to invest in additional services or products from us in the future. For instance, the Company's MERX network generates most of its revenues from its contractual arrangements with the Government of Canada, the Government of Ontario, the Government of Manitoba and certain other provinces whereby MERX acts as the service provider for their e-publishing system. In May 2010, the Government of Canada informed the Company that it was exercising the second of four one-year extension periods to its contract with MERX, thus extending it to May 2011. In addition, the Company's Global Wine & Spirits network generates most of its revenues from its contractual arrangement with Société des Alcools du Québec. This contract which initial term of three years expired in April 2010 is now subject to automatic renewal at the discretion of Société des Alcools du Québec for successive terms of one year. The loss of such contracts could have a material adverse effect on the results of the Company's MERX and Global Wine & Spirits networks. The Company has undertaken, and will continue to undertake, other business development initiatives, such as regional expansion, private e-publishing and information services, in order to expand its revenues beyond these contracts, but there is no guarantee that any such initiative will be successful or could offset the loss of certain contracts.

ACQUISITIONS

Our growth strategy includes making strategic acquisitions. There is no assurance that we will find suitable companies to acquire or that we will have enough resources to complete any acquisition. Acquisitions involve a number of risks, including: diversion of management's attention from current operations; disruption of our ongoing business; difficulties in integrating and retaining all or part of the acquired business, its customers and its personnel; assumption of disclosed and undisclosed liabilities; dealing with unfamiliar laws, customs and practices in foreign jurisdictions; and the effectiveness of the acquired company's internal controls and procedures. The individual or combined effect of these risks could have a

material adverse effect on our business. As well, in paying for an acquisition, we may deplete our cash resources. Furthermore, there is the risk that our valuation assumptions, customer retention expectations and our models for an acquired product or business may be erroneous or inappropriate due to foreseen or unforeseen circumstances and thereby cause us to overvalue an acquisition target. There is also the risk that the contemplated benefits of an acquisition may not materialize as planned or may not materialize within the time period or to the extent anticipated.

MARKET ACCEPTANCE OF OUR PRODUCTS AND SERVICES

Our success depends on widespread use of the Internet as well as other electronic networks as a way to conduct business. Broad market acceptance of the types of services and products we offer is critical to our future success. The demand for, and market acceptance of our services and products are subject to a high level of uncertainty. Some of our services and products may involve a new approach to the conduct of business by our customers. Our failure to reach broad market acceptance of our products and services could have a material adverse effect on our business, results of operations and financial condition.

RESPONSE TO INDUSTRY'S RAPID PACE OF CHANGE

We operate in markets that are experiencing constant technological change, evolving industry standards, changing customer needs, frequent new product and service introductions, and short product life cycles. Our success will depend in large part on how well we can anticipate and respond to changes in industry standards and introduce and upgrade new technologies, products and services and upgrade existing products and services. We may face additional financial risks as we develop new products, services and technologies and update them to stay competitive. Newer technologies, for example, may quickly become obsolete or may need more capital than expected. Development could be delayed for reasons beyond our control. Furthermore, substantial investment is usually required before new technologies become commercially viable. There is no assurance that we will be successful in developing, implementing and marketing new technologies, products, services or enhancements within a reasonable time, or that there will be a market for them. New products or services that use new or evolving technologies could make our existing ones unmarketable, or cause their prices to fall.

ECONOMIC CONDITIONS

Despite the fact that the economy is showing encouraging signs of improvement, the economic downturn may cause further decline in our revenues. During an economic downturn, our customers and potential customers cancel, postpone or often delay their new commitments, which negatively affect our prices, revenues and profitability. We cannot predict when the activity level of our customers affected by the recent economic climate will recover and will have a positive effect on our results of operations.

COMPETITION

The e-business market is intensely competitive, and we have many competitors with substantial financial, marketing, personnel and technological resources. New competitors may also appear as new technologies, products and services are developed. Competition could affect our pricing strategies, and lower our revenues and net income. It could also affect our ability to retain existing customers and attract new ones.

DEFECTS IN SOFTWARE OR FAILURES IN PROCESSING OF TRANSACTIONS

Defects in our owned or licensed software products, delays in delivery, as well as failures or mistakes in our processing of electronic transactions could materially harm our business, including our customer

relationships and operating results. Our operations are dependent upon our ability to protect our computer equipment and the information stored in our data centers against damage that may be caused by fire, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, and other similar events. Although we have redundant and back-up systems for some of our services and products, these systems may be insufficient or may fail and result in a disruption of availability of our products or services to our customers. Any disruption to our services could impair our reputation and cause us to lose customers or revenue, or face litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our business.

POTENTIAL RISKS OF USING “OPEN SOURCE” SOFTWARE

Like many other e-commerce companies, we use “open source” software in order to add functionality to our products and services quickly and inexpensively. We face certain risks relating to our use of open source code. Open source license terms may be ambiguous and may result in unanticipated or uncertain obligations regarding our products and services. Our use of open source software could subject certain portions of our proprietary technology to the requirements of such open source software. That may have an adverse impact on our sale of the products or services incorporating the open source software. Other forms of open source software licensing present license compliance risks for us. If we fail to comply with the license obligations, we could be sued and/or lose the right to use the open source code. Our use of open source code could also result in us developing and selling products that infringe third-party intellectual property rights. It may be difficult for us to accurately determine the developers of the open source code and whether the code incorporates proprietary software.

INFRINGING ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS

We cannot be sure that our services and offerings do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us. These claims may be costly, harm our reputation, and prevent us from providing some services and offerings. We enter into licensing agreements with our clients for the right to use intellectual property that includes a commitment to indemnify the licensee against liability and damages arising from any third-party claims of patent, copyright, trademark or trade secret infringement. In some instances, the amount of these indemnity claims could be greater than the revenue we receive from the client. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, injure our reputation, or require us to enter into royalty or licensing arrangements. Any limitation on our ability to sell or use products or services that incorporate challenged software or technologies could cause us to lose revenue-generating opportunities or require us to incur additional expenses to modify solutions for future projects.

PROTECTING OUR INTELLECTUAL PROPERTY RIGHTS

Our success depends, in part, on our ability to protect our proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that we use to provide our services. Our general practice is to pursue patent, copyright, trademark, trade secret or other appropriate intellectual property protection that is reasonable and necessary to protect and leverage our intellectual assets. We also assert trademark rights in and to our name, product names, logos and other markings used to identify our goods and services in the marketplace. We routinely file for and have been granted trademark registrations from trademark offices worldwide. All of these actions taken allow us to enforce our intellectual property rights should the need arise. However, the laws of some countries in which we conduct business may offer only limited protection of our intellectual property rights; and despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

RETENTION OF KEY PERSONNEL

Our performance is substantially dependent on the performance of our key technical and senior management personnel. Our success is highly dependent on our continuing ability to identify, hire, train, motivate, promote, and retain highly qualified management, directors, technical, and sales and marketing personnel, including key technical and senior management personnel. Competition for such personnel is always strong. Our inability to attract or retain the necessary management, directors, technical, and sales and marketing personnel, or to attract such personnel on a timely basis, could have a material adverse effect on our business, results of operations, financial condition and the price of our securities.

COMMERCIAL ACTIVITIES IN EMERGING MARKETS

We currently operate in certain emerging markets. We have reduced our international activities, but we continue to localize our services and products for delivery in these markets, to develop compliance expertise relating to international regulatory agencies, and to develop direct and indirect sales and support channels in those markets. We face a number of risks associated with conducting our business internationally that could negatively impact our operating results, which include, but are not limited to:

- Language barriers, conflicting international business practices, and other difficulties related to the management and administration of a global business;
- Difficulties and costs of staffing and managing geographically disparate direct and indirect operations;
- Currency fluctuations and tariff rates;
- Multiple, and possibly overlapping, tax structures and the burden of complying with a wide variety of foreign laws;
- Trade restrictions;
- The need to consider characteristics unique to technology systems used internationally;
- Economic or political instability in some markets; and
- Other risk factors set out herein.

For instance, in the People's Republic of China (the "PRC"), the Internet sector is strictly regulated in terms of foreign ownership and content restrictions. While many aspects of these regulations remain unclear, they purport to limit and require licensing of various aspects of the provision of Internet information services. These regulations have created substantial uncertainties regarding the legality of foreign investments and business operations in the PRC for companies who have consulting activities related to the Internet. We have obtained the license enabling us to operate an e-commerce network in the PRC. It is however possible that we could cease to qualify as an authorized recipient of this license and that we could be unable to renew the license at the expiration of the one-year term.

In the emerging markets where we operate, changes in laws, regulations or governmental policy, or the uncertainty associated with the interpretation of these laws and regulations affecting our business activities, may increase our costs, restrict our ability to operate our business or may make it difficult for us to enforce any rights we may have or to know if we are in compliance with all applicable laws, rules and regulations. Political, economic, social or other developments in the countries where we operate may cause us to change the way we conduct our business, suspend the launch of new or expanded services or force us to discontinue our operations altogether.

FOREIGN EXCHANGE

Our revenues are affected by fluctuations in the exchange rate between the Canadian dollar and the US dollar. The Company generates approximately 57% of its revenues in US dollars while approximately 34% of its operating expenses and cost of revenues are in US dollars. As a result, any decrease in the value of the US dollar relative to the Canadian dollar reduces the amount of Canadian dollar revenues the Company realizes on sales, without a corresponding decrease in expenses. Exchange rate fluctuations are beyond our control, and the US dollar may depreciate against the Canadian dollar in the future, which would result in lower revenues and margins. In order to reduce the potential negative effect of a weakening US dollar, we have entered into agreements to hedge the value of a portion of our future US dollar net cash inflows for periods of up to 18 months.

■ CRITICAL ACCOUNTING ESTIMATES

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 consolidated financial statements.

EVALUATION OF GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Business acquisitions are accounted for under the purchase method of accounting. The total cost of an acquisition is allocated to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These types of determinations involve considerable judgment and often involve the use of estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These determinations affect the amount of amortization expense recognized in future periods. The Company reviews the carrying values of all identifiable acquired intangible assets and goodwill when certain conditions arise to determine whether any impairment has occurred. Because the valuation of identifiable acquired intangible assets and goodwill requires significant estimates and judgment about future performance and fair value, our future results could be affected if our current estimates of future performance and fair value change.

INCOME TAXES

The Company is required to estimate the income taxes in each of the jurisdictions in which it operates. This includes estimating a value for existing net operating losses based on the Company's assessment of its ability to utilize them against future taxable income before they expire. If the Company's assessment of its ability to use the net operating losses proves not to be accurate in the future, more or less of the net operating losses might be recognized as assets, which would impact the income tax expense, and consequently affect the Company's net earnings in the relevant year.

We are subject to examination by taxation authorities in various jurisdictions. Because the determination of tax liabilities involves certain uncertainties in interpreting complex tax regulations, we use management's best estimates to determine potential tax liabilities. Differences between the estimates and the actual amount of taxes are recorded in net earnings at the time they can be determined.

STOCK-BASED PAYMENTS

Stock options granted to employees after April 1, 2002 are accounted for under the fair value method, which consists of recording expenses to earnings when stock options are issued. The fair value of stock options is calculated with a financial model involving the use of various assumptions such as the risk-free interest rate, the expected volatility of the underlying stock, the expected life of the stock options and the expected dividend yield. The Company uses the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company uses expected volatility rates, which are based on historical volatility rates trended into future years. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the stock options. A change in the assumptions used by the Company could have an impact on net earnings.

■ 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”. 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 consolidated 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 \$71,625 decrease to the amortization of other assets and a \$16,125 increase of the provision for income taxes for the year ended March 31, 2009. These changes relate to pre-operating expenditures that were incurred and capitalized during previous business acquisitions and that are no longer capitalized under the new accounting standards. These standards have no significant impact on the basic and diluted earnings per share for the year ended March 31, 2009.

FINANCIAL INSTRUMENT DISCLOSURES AND PRESENTATION

In June 2009, the CICA amended Section 3862, “Financial Instruments – Disclosure”, to enhance disclosures about fair value measurements and the liquidity risk of financial instruments. All financial instruments recognized at fair value on the consolidated balance sheet must be classified in the following three fair value hierarchy levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Information in respect of fair value hierarchy is presented in note 16 of the consolidated financial statements as at March 31, 2010.

■ FUTURE ACCOUNTING CHANGES

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS, AND NON-CONTROLLING INTERESTS

In January 2009, the Accounting Standards Board of Canada approved three new CICA Handbook Sections, Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination. Section 1601 establishes standards for the preparation of consolidated financial statements, while Section 1602 requires non-controlling interests to be reported as a separate component of equity, with net income calculated without deduction for non-controlling interests. Rather, consolidated net income is to be allocated between controlling and non-controlling interests. These three new Sections are to be implemented concurrently and apply prospectively to all business combinations of the Company for which the acquisition date is on or after April 1, 2011, with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD (“IFRS”)

In October 2009, the Canadian Accounting Standards Board (“AcSB”) reconfirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS. Accordingly, the Company will issue its last financial statements prepared in accordance with Canadian GAAP as at March 31, 2011. Starting from the first quarter of the fiscal year ending March 31, 2012, the Company’s consolidated financial statements will be prepared in accordance with IFRS in effect as of this date, with comparative figures of the fiscal year ending March 31, 2011, and April 1, 2010 (“date of transition”) opening balance sheet restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS, as per the guidance provided in IFRS 1, “First-Time Adoption of International Financial Reporting Standards” (“IFRS 1”).

As part of its transition to IFRS, the Company has completed the initial phase of its implementation plan, which consisted of establishing a steering committee, designating the internal and external resources necessary, training these resources, establishing a diagnosis and developing a detailed plan of implementation. The three remaining phases of the Company’s implementation plan and their schedule are described below:

1 – The extensive analysis of the expected accounting differences between Canadian GAAP and IFRS and assessment of the expected impact of the accounting differences on the consolidated financial statements, including the review of choices available upon the initial adoption of IFRS, is almost completed. We expect to complete this analysis in the second quarter of the fiscal year ending March 31, 2011.

2 – Training sessions for staff and members of the Financial Audit Committee have been provided. The training sessions for officers and members of the Management Committee will be provided no later than the fourth quarter of the fiscal year ending March 31, 2011.

3 – The final analysis of the impact on the business activities of the Company, its disclosure controls and internal controls over financial reporting and its financial reporting systems is underway and will be completed in the third quarter of the fiscal year ending March 31, 2011. As at March 31, 2010, the

Company does not foresee any issue with clauses contained in contractual agreements and more generally, in the normal course of its operations and how it conducts its business. The Company does not expect its disclosure controls and internal control over financial reporting or its information system to be significantly impacted by its transition to IFRS.

EXPECTED ACCOUNTING DIFFERENCES BETWEEN CANADIAN GAAP AND IFRS

The process of identifying fundamental accounting differences between Canadian GAAP and IFRS having a significant impact on the Company's consolidated financial statements and the review of choices available upon the initial adoption of IFRS is progressing well. The Company expects to complete the quantification of the impact in the second quarter of the fiscal year ending March 31, 2011 and publish a summary of the results expected in the third quarter.

Based on its current analysis of expected accounting differences, the Company has prepared a summary description of the potential impact on its consolidated financial statements.

Accounting for joint ventures

The Company's financial statements include its proportionate share of assets, liabilities and earnings of joint ventures in which it has an interest. No significant changes have been identified between the accounting standards as per the Canadian GAAP and IFRS. However, the new proposed standard, intended to replace the current International Accounting Standard 31, "Interests in joint ventures" under IFRS, is expected to eliminate the option to use proportionate consolidation. Instead, the new standard proposes the use of equity method accounting. It is expected that this new standard will be effective for the Company's fiscal year 2013. No significant opening balance sheet impact is expected, and no significant accounting impact is expected until the proposed standard becomes effective.

Foreign currency translation adjustment ("CTA")

Foreign exchange gains or losses arising from the translation into Canadian dollars of self-sustained foreign operations' financial statements are included in accumulated other comprehensive income, which is a separate component of shareholders' equity. No significant changes have been identified between the accounting standards as per Canadian GAAP and IFRS. However, IFRS 1 allows a first-time adopter on its date of transition to record its CTA from all its foreign operations to retained earnings and reset the CTA balance to nil. The Company has decided to exercise this option. No other significant impacts on net earnings have been identified.

Stock-based compensation

The Company estimates the fair value of stock options at the grant date. The charges related to stock-based compensation are recognized over the vesting periods of the options, and cancellations are recorded at the date on which they occur. Under IFRS, cancellations must be estimated and taken into account at the grant date and not at the date they occur. This reversal of charge, recorded in the consolidated statement of earnings in accordance with Canadian GAAP for the year ending March 31, 2011, will be recorded in retained earnings under IFRS at the transition date. No other significant impact is expected.

The differences identified in this document should not be regarded as an exhaustive list and reflect our most recent analysis and estimates. The conversion to IFRS may result in other changes and changes in our assumptions, circumstances and activities.

■ 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

In accordance with the Canadian Securities Administrators' National Instrument 52-109, certificates signed by the President and Chief Executive Office and the Chief Financial Officer have been filed. These documents confirm the adequacy of controls and procedures for disclosure of the Company and the design and effectiveness of its internal controls regarding financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure controls and procedures of the Company have been designed in accordance with the rules of the Canadian Securities Administrators in order 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.

Under the supervision of the President and Chief Executive Office and the Chief Financial Officer, management has evaluated the effectiveness of the Company's disclosure controls and procedures in accordance with the rules of the Canadian Securities Administrators and have concluded that such disclosure controls and procedures are effective for the fiscal year ended March 31, 2010.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The internal control over financial reporting has been designed in order to provide reasonable assurance that the financial information reported is reliable and that the financial statements were prepared in accordance with the Company's GAAP.

Under the supervision of the President and Chief Executive Office and the Chief Financial Officer, management has evaluated the effectiveness of the Company's internal control over financial reporting and has concluded that such controls were effective for the fiscal year ended March 31, 2010. There has been no change in the Company's internal control over financial reporting during fiscal year 2010 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 at June 8, 2010.

The number of common shares outstanding as at June 8, 2010 was 13,895,744.

The number of stock options outstanding as at June 8, 2010 was 374,900.

Additional information relating to the Company, including the annual information form, is available on SEDAR at www.sedar.com.

MARKET AND TICKER SYMBOL

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

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Founder and Chief Executive Officer of Logibec Groupe Informatique Ltd.

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Chief Financial Officer
Logibec Groupe Informatique Ltd.

Patrice Commune

Québec, Canada
President
Presagis Canada Inc.

André Courtemanche

Québec, Canada
President and Chief Executive Officer
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Québec, Canada
Consultant
Savaria Corporation

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Royal Bank of Canada