MEDIAGRIF
INTERACTIVE TECHNOLOGIES

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2010

Management Discussion and Analysis

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2010 AND 2009

THIRD QUARTER AND FIRST NINE MONTHS OF FISCAL YEAR 2011 VERSUS THIRD QUARTER AND FIRST NINE MONTHS OF FISCAL YEAR 2010

The following Management Discussion and Analysis (“MD&A”), which has been prepared as at February 8, 2011, 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, 2010 as well as the Company MD&A, audited consolidated financial statements and accompanying notes thereto for the year ended March 31, 2010. This discussion and analysis compares performance for the quarter and first nine months ended December 31, 2010 and 2009. 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 (TSX: MDF) 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 350 employees. Mediagrif has its headquarters in Longueuil and has offices in Laval and 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 Company reported an increase in the financial results of its third quarter of 2011. Furthermore, the Company purchased Laval based InterTrade System Inc. ("InterTrade") for a cash consideration of $8.1 million while maintaining sufficient cash level.

The highlights of the third quarter are as follows:

- Revenues of $11.7 million for the third quarter of 2011 compared to $11.4 million for the third quarter of 2010.
- Earnings from operations of $3.4 million for the third quarter of 2011 compared to $2.5 million for the third quarter of 2010.
- EBITDA (see reconciliation of EBITDA and net earnings on page 4) of $4.0 million for the third quarter of 2011 compared to $3.3 million for the third quarter of 2010.
- Net earnings of $1.9 million for the third quarter of 2011 compared to $1.1 million for the third quarter of 2010.
- Cash and cash equivalents reached $29.2 million on December 31, 2010 compared to $29.6 million on December 31, 2009 and $34.4 million on March 31, 2010.

▪ ACQUISITION

On December 22, 2010, the Company acquired all shares of InterTrade for a total cash consideration of $8,100,000, of which $208,675 was deposited in escrow. InterTrade offers e-commerce solutions that allow its clients to efficiently manage and control their supply chain. The Company expects that its existing networks will be able to extend their product offerings and have access to a strong EDI (Electronic Data Interchange) platform.

Under the share purchase contract, the purchase price could be increased or reduced based on the amount of working capital and indebtedness of InterTrade (as defined by the contract) at the acquisition date. The amount deposited in escrow will be released at the final determination of InterTrade's working capital and indebtedness (as defined by the contract).

InterTrade operating results were included in the consolidated financial statements from the acquisition date. During the nine-day period ended December 31, 2010, InterTrade incurred revenues amounting to $0.1 million and an insignificant net loss.

On a proforma basis, InterTrade's revenues and net earnings would respectively be at approximately $4,100,000 and $550,000, had the acquisition occurred as at April 1st, 2010. However, proforma information does not account for synergies or changes to historical transactions and is not necessarily indicative of operating results of InterTrade had the acquisition actually occurred on April 1st, 2010, neither of the results that may be achieved in the future.

▪ SELECTED YEAR-TO-DATE FINANCIAL INFORMATION

	YTD - 2011	YTD - 2010
	$	$
CONSOLIDATED STATEMENT OF EARNINGS [(1)]		
REVENUES	**34,329**	34,578
GROSS MARGIN	**27,046**	26,901
OPERATING EXPENSES		
General and administrative	**5,638**	6,864
Sales and marketing	**5,778**	6,609
Technology	**5,262**	5,529
Amortization of acquired intangible assets	**521**	518
Stock-based compensation	**(341)**	215
TOTAL OPERATING EXPENSES	**16,858**	19,735
EARNINGS FROM OPERATIONS	**10,188**	7,166
EBITDA	**11,597**	9,419
NET EARNINGS	**6,488**	1,611
Basic net earnings per share	**0.47**	0.12
Diluted net earnings per share	**0.47**	0.12
Weighted average number of shares outstanding (basic)	**13,817,699**	13,949,873
Weighted average number of shares outstanding (diluted)	**13,835,754**	13,949,873
Number of common shares outstanding as at February 8th, 2011	**13,680,054**	
Number of stock options outstanding as at February 8th, 2011	**160,000**	
CONSOLIDATED BALANCE SHEET (as at December 31)		
Cash and cash equivalents	**29,223**	29,587
Long-term assets	**43,748**	37,274
Total assets	**85,964**	79,489
Total liabilities	**21,033**	17,798
Shareholders' equity	**64,931**	61,691
CONSOLIDATED STATEMENTS OF CASH FLOW		
Cash flow from operating activities	**7,747**	3,982
Cash flow used for capital expenditures	**(2,324)**	(911)
Cash flow used for business acquisitions	**(7,704)**	-
Cash flow used in financing activities	**(3,883)**	(1,721)

RECONCILIATION OF EBITDA AND NET EARNINGS [(1)]		
NET EARNINGS	**6,488**	1,611
Interest income	**(205)**	(53)
Other expenses	**144**	271
Income taxes	**3,538**	3,007
Amortization of premises and equipment and intangible assets	**1,229**	1,520
Amortization of acquired intangible assets	**521**	518
Stock-based compensation	**(341)**	215
Foreign exchange loss	**223**	2,330
EBITDA	**11,597**	9,419

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

▪ SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3 - 2011	Q3 - 2010
CONSOLIDATED STATEMENT OF EARNINGS [1]	$	$
REVENUES	**11,664**	11,417
GROSS MARGIN	**9,291**	8,784
OPERATING EXPENSES		
General and administrative	**2,022**	2,034
Sales and marketing	**1,879**	2,128
Technology	**1,782**	1,823
Amortization of acquired intangible assets	**176**	173
Stock-based compensation	**6**	89
TOTAL OPERATING EXPENSES	**5,865**	6,247
EARNINGS FROM OPERATIONS	**3,426**	2,537
EBITDA	**4,013**	3,334
NET EARNINGS	**1,908**	1,121
Basic net earnings per share	**0.14**	0.08
Diluted net earnings per share	**0.14**	0.08
NET EARNINGS	**1,908**	1,121
Interest income	**(102)**	(26)
Other expenses	**(40)**	66
Income taxes	**1,339**	927
Amortization of premises and equipment and intangible assets	**405**	535
Amortization of acquired intangible assets	**176**	173
Stock-based compensation	**6**	89
Foreign exchange loss	**321**	449
EBITDA	**4,013**	3,334

[1] *Canadian dollars in thousands, except per share amounts.*

▪ OPERATIONAL REVIEW

REVENUES

Revenues in the third quarter of 2011 were higher at $11.7 million compared to $11.4 million in the third quarter of 2010. For the first nine months of 2011, revenues decreased by $0.3 million compared to the corresponding period of 2010, from $34.6 million to $34.3 million.

- The revenue increase is mainly due to the business networks MERX, The Broker Forum and Carrus. BidNet, GovernmentBids, Interactive Procurement Technologies and Global Wine & Spirits evolve in competitive and economic environment which renders their organic growth more difficult. Revenues from Power Source On-Line, Polygon, Market Velocity and CBI networks are more affected by the consequences of the economic slowdown in their respective industries. The impact of the acquisition of InterTrade is $0.1 million.

- In original currencies, revenues increased by $0.6 million for the third quarter of 2011 compared to the third quarter of 2010. For the first nine months of 2011, in original currencies, revenues increased by $0.5 million compared to the corresponding period of 2010.

- Revenues earned in US dollars represent 59% of total revenues in the third quarters of 2011 and 2010 and for the first nine months of 2011 and 2010. As a result, the variation in the value of the Canadian dollar compared to the US dollar combined with our hedge coverage generated a negative impact on revenues of $0.4 million and $0.8 million during the third quarter and first nine months of 2011 respectively.

GROSS MARGIN

Gross margin for the third quarter and first nine months of 2011 increased to 80% and 79% respectively, compared to the corresponding periods of 2010 during which the margins were 77% and 78%. Higher margins are mainly due to cost reductions related to development activities previously done by third parties.

OPERATING EXPENSES

Operating expenses for the third quarter of 2011 decreased to $5.9 million compared to $6.2 million for the third quarter of 2010. For the first nine months of 2011, operating expenses decreased to $16.9 million compared to $19.7 million for the corresponding period of 2010. The decrease in operating expenses is explained by the following items:

- General and administrative expenses for the third quarter of 2011 were stable at $2.0 million compared to the third quarter of 2010. Expenses related to the move of the head office and InterTrade's acquisition-related costs were offset by better cost control and general headcount reduction throughout the Company.

  For the first nine months of 2011, general and administrative expenses decreased to $5.6 million compared to $6.9 million for the corresponding period of 2010. This decrease is mainly due to the general headcount reduction and to better cost control throughout the Company as well as the reversal in the first quarter of 2011 of a penalty of $0.2 million related to a tax assessment that was recorded in the first quarter of 2010.

- Sales and marketing expenses for the third quarter of 2011 decreased to $1.9 million compared to $2.1 million for the third quarter of 2010. For the first nine months of 2011, sales and marketing expenses decreased to $5.8 million compared to $6.6 million for the corresponding period of 2010. This decrease is mainly due to the general headcount reduction throughout the Company and to the decrease of the allowance for doubtful accounts, partially offset by an increase in advertising and promotion expenses.

- Technology expenses for the third quarter of 2011 remained stable at $1.8 million compared to the third quarter of 2010. For the first nine months of 2011, technology expenses decreased to $5.3 million compared to $5.5 million for the corresponding period of 2010 due to the general headcount reduction partially offset by a decrease in income tax credits.

- Amortization of acquired intangible assets increased to $176,000 compared to $173,000 for the third quarter of 2010 and at $521,000 for the first nine months of 2011 compared to $518,000 for the corresponding period of 2010.

- Stock-based compensation expense for the third quarter of 2011 decreased to $6,000 compared to $89,000 for the third quarter of 2010. For the first nine months of 2011, a stock-based compensation expense was reversed due to the cancellation of stock options in the first quarter and resulted in a credit of $341,000 compared to an expense of $215,000 for the corresponding period of 2010.

EARNINGS FROM OPERATIONS

Earnings from operations increased by 36% and reached $3.4 million during the third quarter of 2011 compared to $2.5 million for the third quarter of 2010. This increase is mainly due to an increase in revenues as well as by the general headcount reduction throughout the Company and by better cost control. For the first nine months of 2011, earnings from operations increased by 42% and reached $10.2 million compared to $7.2 million for the corresponding period of 2010. This increase is mainly due to the reversal of a stock-based compensation expense, to the general headcount reduction throughout the Company and to better cost control.

OTHER INCOME OR EXPENSES

Other expenses amounted to $0.2 million for the third quarter of 2011 compared to $0.5 million for the third quarter of 2010. This decrease is mainly due to a foreign exchange loss on our US dollar assets of $0.3 million compared to a foreign exchange loss of $0.5 million for the third quarter of 2010.

For the first nine months of 2011, other expenses amounted to $0.2 million compared to $2.5 million for the corresponding period of 2010. This decrease is mainly due to a foreign exchange loss of $0.2 million for the first nine months of 2011 compared to a foreign exchange loss of $2.3 million for the corresponding period of 2010.

PROVISION FOR INCOME TAXES

The provision for income taxes amounted to $1.3 million for the third quarter of 2011, representing a 41.24% effective tax rate in the third quarter of 2011, compared to $0.9 million which represents a rate of 45.26% in the third quarter of 2010. For the first nine months of 2011, the provision for income taxes amounted to $3.5 million, representing a 35.29% effective tax rate, compared to a rate of 65.11% for the corresponding period of 2010. The weighted statutory tax rate in 2011 is 29.53% compared to 30.65% in 2010.

The effective tax rate for the third quarter of 2011 is higher than the statutory tax rate due to the effect of exchange revaluation of future income tax assets denominated in US currency, to the geographical distribution of profits and to previous year’s income tax adjustments. The effective tax rate for the first nine months of 2011 is higher than the statutory tax rate due to an increase in the valuation allowance of the US subsidiaries net operating losses, to the effect of exchange revaluation of future income tax assets denominated in US currency, to previous year’s income tax adjustments and to the geographical distribution of profits, which are partially offset by a non-taxable reversal of a stock-based compensation expense and by non-deductible foreign exchange losses.

For the third quarter of 2010, the effective tax rate was high due to the effect of exchange revaluation of future income tax assets denominated in US currency as well as to previous year’s income tax adjustments. Effective tax rate for first nine months of 2010 is higher than statutory tax rate due to the effect of non-deductible foreign exchange losses, of exchange revaluation of future income tax assets denominated in US currency and to previous year’s income tax adjustments.

EARNINGS PER SHARE

Basic and diluted earnings per share amounted to $0.14 for the third quarter of 2011 compared to $0.08 for the third quarter of 2010. Basic and diluted weighted average number of common shares outstanding for the third quarters of 2011 and 2010 were 13.7 million and 13.9 million respectively. For the first nine months of 2011, basic and diluted earnings per share amounted to $0.47 compared to $0.12 for the corresponding period of 2010. Basic and diluted weighted average number of common shares outstanding for the first nine months of 2011 and 2010 were 13.8 million and 13.9 million respectively.

QUARTERLY PERFORMANCE

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

	2009	2010				2011		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenues	11,840	11,693	11,468	11,417	11,147	11,245	11,420	11,664
Earnings (loss) from operations	(7,799)	1,878	2,751	2,537	2,311	3,448	3,314	3,426
EBITDA	(192)	2,632	3,453	3,334	3,016	3,713	3,871	4,013
Net earnings (loss)	(5,051)	(193)	683	1,121	916	2,641	1,939	1,908
Basic EPS (LPS)	(0.35)	(0.01)	0.05	0.08	0.06	0.19	0.14	0.14
Diluted EPS (LPS)	(0.35)	(0.01)	0.05	0.08	0.06	0.19	0.14	0.14

Canadian dollars in thousands, except per share amounts.

2011 QUARTERS

» The general headcount reduction throughout the Company, the reversal of a penalty related to a tax assessment and better cost control helped generate an increase in operating income and EBITDA in the first quarter of 2011. The reversal of a stock-based compensation expense following the cancellation of stock options and a foreign exchange gain on assets denominated in US dollars during the quarter, combined with a low effective tax rate helped generate a significant growth in net income.

» Effective cost control combined with an increase in revenues, compared to the first quarter of 2011, due to healthy organic growth and the improvement of economic conditions in some of our business networks' markets helped generate an increase in EBITDA in the second quarter of 2011. However, the Company incurred a foreign exchange loss on assets denominated in US currency during the quarter.

» The acquisition of InterTrade on December 22, 2010 generated $0.1 million in additional revenues as well as $0.1 million in additional expenses but better cost control helped generate an increase in earnings from operations and EBITDA in the third quarter of 2011.

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 QUARTER

» 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 inception, we have financed our operations, acquisitions, capital expenditures, repurchase of common shares for cancellation and dividend payments 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 December 31, 2010, our cash and cash equivalents decreased to $29.2 million compared to $34.4 million as at March 31, 2010 and compared to $29.6 million as at December 31, 2009. This decrease is due to the acquisition of InterTrade for a net consideration of $7.7 million, to the payment of a cash dividend of $0.14 per share for a total of $1.9 million for the first nine months, and to the purchase for cancellation of a block of 230,500 common shares for a cash consideration of $2.0 million.

Free cash flow, defined as cash flows from operating activities less the acquisition of premises and equipment and intangible assets and dividends paid, increased to $1.8 million in the third quarter of 2011 compared to $0.9 million in the third quarter of 2010. This increase is mainly due to the increase in acquisition of capital assets net of the deferred lease inducement this quarter offset by a dividend payment of $1.4 million in the third quarter of 2010. For the first nine months of 2011, free cash flow amounted to $3.5 million compared to $1.7 million in the corresponding period of 2010. This increase is mainly due to higher net earnings in 2011 offset by a variation in non-cash working capital items and by the increase of the dividend paid by $0.6 million.

OPERATING ACTIVITIES

Net cash generated by operating activities increased at $3.7 million for the third quarter of 2011 compared to $2.5 million for the third quarter of 2010. Although net earnings and deferred lease inducement are higher in the third quarter of 2011 compared to the third quarter of 2010, they are offset by a negative variation in non-cash working capital items.

For the first nine months of 2011, net cash generated by operating activities amounted to $7.7 million compared to $4.0 million in the corresponding period of 2010. This increase is mainly due to higher net earnings in 2011, partially offset by the reversal of a stock-based compensation expense and by a higher negative variation in non-cash working capital items.

INVESTING ACTIVITIES

Net cash used in investing activities increased to $9.6 million for the third quarter of 2011 compared to $0.2 million for the third quarter of 2010. For the first nine months of 2011, net cash used in investing activities increased to $10.0 million compared to $1.0 million for the first nine months of 2010. These increases are due to the acquisition of InterTrade during the third quarter for a net consideration of $7.7 million and to the acquisition of capital assets related to the move of the head office in October 2010.

FINANCING ACTIVITIES

Net cash used in financing activities amounted to $43,000 for the third quarter of 2011 compared to $1.5 million for the third quarter of 2010, mainly due to the dividend payment on common shares of $1.4 million in the third quarter of 2010.

For the first nine months of 2011, net cash used in financing activities amounted to $3.9 million due to the purchase for cancellation of 250,690 common shares for a cash consideration of $2.1 million, and to a dividend payment on common shares of $1.9 million, partially offset by the proceeds of $0.2 million from the issuance of 35,000 common shares pursuant to the exercise of stock options. Net cash used in financing activities in the corresponding period of 2010 amounted to $1.7 million due to the purchase for cancellation of 65,548 common shares for a cash consideration of $0.3 million and to the dividend payment on common shares of $1.4 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 as at March 31, 2010.

The Company's hedging program will yield an average Canadian/US exchange rate of 1.04 on foreign currency forward contracts of US$15.9 million held on December 31, 2010 expiring in future quarters of fiscal years 2011, 2012 and 2013, compared to 1.10 on foreign currency forward contracts of US$10.9 million held on December 31, 2009.

In the third quarter and first nine months of 2011, 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 ventures derive from Global Wine & Spirits, our partnership with the Société des alcools du Québec.

Revenues earned from transactions conducted with joint ventures in the normal course of operations amounted to $132,000 for the third quarter of 2011 compared to $100,000 for the third quarter of 2010. For the first nine months of 2011, revenues earned from transactions conducted with joint ventures in the normal course of operations amounted to $416,000 compared to $538,000 for the corresponding period of 2010.

For the third quarter and first nine months of 2011, the Company incurred a management fee of $106,208 and $307,258 respectively, for the services rendered by a corporate shareholder who has a significant influence over the Company, compared to $65,298 and $262,890 for the third quarter and first nine months of 2010 respectively. 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 and have only changed due to the acquisition of InterTrade this quarter. Future minimum payments under long-term operating leases of premises will be increased by approximately $140,000 per year, compared to the amounts presented in note 10 because of this acquisition.

▪ 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 the description in the MD&A of the year ended March 31, 2010.

▪ 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, 2010, 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, 2010 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, 2010.

▪ CHANGES TO ACCOUNTING POLICIES

Business combinations, consolidated financial statements and non-controlling interests

On April 1st, 2010, the Company elected to adopt three Handbook Sections issued by the Canadian Institute of Chartered Accountants ("CICA"), as earlier application is permitted. These Sections had to be implemented concurrently. Section 1582, "Business Combinations", requires, among other things, that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination be recorded at full fair value and acquisition-related costs be recognized as expenses as incurred and that liabilities associated with restructuring or exit activities be recognized only if they meet the definition of a liability as of the acquisition date. As an impact of the adoption of this standard, acquisition-related costs incurred during InterTrade's acquisition this year were recorded directly in the consolidated statement of earnings. This Section had no impact on the business combinations which occurred prior to April 1st, 2010.

Section 1601, "Consolidated Financial Statements", establishes standards for the preparation of consolidated financial statements. This Section supersedes the like-named Section 1600 and carries forward its consolidation guidance. The adoption of this standard had no impact on the consolidated financial statements.

Section 1602, "Non-Controlling Interests", 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. The adoption of this standard had no impact on the consolidated financial statements, since the Company does not have non-controlling interests.

▪ FUTURE ACCOUNTING CHANGES

IMPLEMANTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD ("IFRS")

In October 2009, the Canadian Accounting Standards Board ("AcSB") reconfirmed January 1st, 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 1st, 2010 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").

The Company has developed a transition plan to convert its consolidated financial statements from Canadian GAAP to IFRS. Some changes were made to the plan during this quarter to adjust its time schedule and add new resources. As a result of the acquisition of InterTrade, the Company will also need to review the completed accounting standards analysis to integrate InterTrade's policies.

The three remaining phases of the Company's implementation plan and their time 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 ongoing. The Company expects to complete this analysis on March 31, 2011. The following accounting standards are under analysis, but according to preliminary results, the Company does not expect discrepancies between Canadian GAAP and IFRS to have significant impact on the financial results of the Company:

- IAS 18 – Revenue Recognition
- IAS 12 – Income Taxes
- IAS 24 – Related Parties
- IAS 39 – Financial Instruments
- IAS 37 – Provisions and Contingent Liabilities
- Presentation of Annual and Interim Financial Statements.

The Company expects to complete the quantification of the impact on March 31, 2011 and publish a summary of the results at that time.

2 – Training sessions for the finance staff and members of the Audit Committee have been provided. The training sessions for officers and members of the Management Committee will be provided no later than 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 on March 31, 2011. As at December 31, 2010, the Company does not foresee any issue with clauses contained in current 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

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 Officer 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 Officer 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 has concluded that such disclosure controls and procedures are effective for the fiscal year ended March 31, 2010. As at December 31, 2010, 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 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 Officer 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. As at December 31, 2010, except for InterTrade's internal controls that could not be reviewed, 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 at February 8, 2011.

The number of common shares outstanding as at February 8, 2011 was 13,680,054.

The number of stock options outstanding as at February 8, 2011 was 160,000.

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

STOCK EXCHANGE LISTING AND SYMBOL

The Company's common shares are listed on the Toronto Stock Exchange and trade under the ticker symbol "MDF".

HEAD OFFICE

1111, St-Charles Street West, Suite 255, Longueuil, Québec, Canada J4K 5G4
Tel.: 450 449-0102 Fax: 450 449-8725
www.mediagrif.com

BOARD OF DIRECTORS

Claude Roy
Québec, Canada
Chairman of the Board and Chief Executive Officer of the Company

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

Michel Dubé
Québec, Canada
Consultant
Savaria Corporation

André Gauthier
Québec, Canada
President
Holding André Gauthier Inc.

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

Computershare Investor Services Inc.
1500 University Street, Suite 700, Montréal, Québec, Canada H3A 3S8
Tel.: 514 982-7888 Fax: 514 982-7580
www.computershare.com

AUDITORS

Deloitte & Touche LLP

FINANCIAL INSTITUTION

Royal Bank of Canada