MEDIAGRIF

Interim Condensed Consolidated Financial Statements
for the three and six months ended
September 30, 2015 and 2014

(unaudited and not reviewed by independent auditors)

MEDIAGRIF

Interim Condensed Consolidated Statements of Income

Unaudited and not reviewed by independent auditors

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars, except per share amounts	**2015** **$**	**2014** **$**	**2015** **$**	**2014** **$**
Revenue (Note 5)	17,953	17,512	35,662	35,243
Cost of revenue	3,498	3,606	7,041	7,086
Gross margin	14,455	13,906	28,621	28,157
Operating expenses				
General and administrative	2,068	2,187	4,450	4,277
Selling and marketing	3,656	3,356	7,518	7,034
Technology	2,614	3,164	5,419	6,756
	8,338	8,707	17,387	18,067
Operating profit	6,117	5,199	11,234	10,090
Other revenue (Note 10b))	762	378	616	63
Financial expenses (Note 10c))	(198)	(291)	(394)	(613)
Share of profit of a joint venture	72	74	112	115
Profit before income taxes	6,753	5,360	11,568	9,655
Income tax expense	1,664	1,498	3,059	2,661
Profit for the period	5,089	3,862	8,509	6,994
Earnings per share				
Basic and diluted	0.34	0.24	0.56	0.44
Weighted average number of shares outstanding				
Basic and diluted	15,093,299	15,813,786	15,275,711	15,815,371
Number of shares outstanding at end of period	15,016,246	15,805,355	15,016,246	15,805,355

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Interim Condensed Consolidated Statements of Comprehensive Income

Unaudited and not reviewed by independent auditors

	Three months ended September 30,		Six months ended September 30,	
	2015	**2014**	**2015**	**2014**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Profit for the period	5,089	3,862	8,509	6,994
Items that may be reclassified subsequently in profit or loss				
Change in unrealized losses on foreign currency forward contracts, net of deferred taxes	(595)	(365)	(517)	(63)
Reclassification of realized losses on foreign currency forward contracts, net of deferred taxes	229	62	526	233
	(366)	(303)	9	170
Comprehensive income for the period	4,723	3,559	8,518	7,164

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Interim Condensed Consolidated Statements of Financial Position

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars	As at Sept. 30, 2015 $	As at March 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	8,333	7,546
Cash held for the benefit of third parties	1,073	666
Accounts receivable	5,352	5,691
Income taxes receivable	459	-
Tax credits receivable	4,848	3,947
Prepaid expenses and deposits	2,275	1,986
	22,340	19,836
Non-current assets		
Property, plant and equipment	1,913	2,084
Intangible assets	2,620	1,719
Acquired intangible assets	58,929	60,704
Goodwill	100,280	100,280
Investment in a joint venture	199	587
Deferred taxes	5,399	5,945
	191,680	191,155
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,100	6,861
Other accounts payable	1,594	1,229
Income taxes payable	-	1,084
Deferred revenue	16,562	16,473
Derivative financial instruments	1,418	1,431
Current portion of deferred lease inducement	143	150
	25,817	27,228
Non-current liabilities		
Long-term debt (Note 6)	31,050	26,100
Deferred lease inducement	592	661
Deferred taxes	15,448	15,063
	72,907	69,052
Shareholders' equity		
Share capital (Note 7)	78,930	81,695
Reserves	2,176	2,167
Retained earnings	37,667	38,241
	118,773	122,103
	191,680	191,155

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited and not reviewed by independent auditors

Six months ended September 30, 2015

		Reserves				
	Share capital	Equity-settled employee benefits	Cash flow hedging	Total	Retained earnings	Total
In thousands of Canadian dollars	$	$	$	$	$	$
Balance as at March 31, 2015	81,695	3,213	(1,046)	2,167	38,241	122,103
Profit for the period	-	-	-	-	8,509	8,509
Other comprehensive income for the period, net of income tax	-	-	9	9	-	9
Comprehensive income for the period	-	-	9	9	8,509	8,518
Repurchase of common shares for cancellation (Note 7)	(2,765)	-	-	-	(6,064)	(8,829)
Dividends declared on common shares	-	-	-	-	(3,019)	(3,019)
Balance as at September 30, 2015	78,930	3,213	(1,037)	2,176	37,667	118,773

Six months ended September 30, 2014

		Reserves				
	Share capital	Equity-settled employee benefits	Cash flow hedging	Total	Retained earnings	Total
In thousands of Canadian dollars	$	$	$	$	$	$
Balance as at March 31, 2014	83,141	3,213	(489)	2,724	32,393	118,258
Profit for the period	-	-	-	-	6,994	6,994
Other comprehensive income for the period, net of income tax	-	-	170	170	-	170
Comprehensive income for the period	-	-	170	170	6,994	7,164
Repurchase of common shares for cancellation (Note 7)	(63)	-	-	-	(162)	(225)
Dividends declared on common shares	-	-	-	-	(3,163)	(3,163)
Balance as at September 30, 2014	83,078	3,213	(319)	2,894	36,062	122,034

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Interim Condensed Consolidated Statements of Cash Flows

Unaudited and not reviewed by independent auditors

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars	**2015** **$**	**2014** **$**	**2015** **$**	**2014** **$**
Cash flows related to				
Operating activities				
Profit for the period	5,089	3,862	8,509	6,994
Adjustments for the following items:				
Amortization and depreciation (Note 9)	1,390	1,896	2,747	3,613
Amortization of deferred lease inducement	(40)	(32)	(76)	(62)
Amortization of deferred financing costs	-	48	-	96
Interest expense	198	243	394	517
Foreign exchange	(564)	(200)	(405)	25
Share of profit of a joint venture	(72)	(74)	(112)	(115)
Deferred taxes	701	345	1,145	131
Gain on disposal of property, plant and equipment	-	-	(4)	-
Income tax expense recognized in profit	963	1,153	1,914	2,530
Changes in non-cash working capital items (Note 10 a))	(1,101)	(421)	(1,108)	(486)
Interest paid	(200)	(218)	(397)	(472)
Income taxes paid	(1,174)	(1,022)	(3,457)	(3,158)
	5,190	5,580	9,150	9,613
Investing activities				
Acquisition of property, plant and equipment	(128)	(367)	(351)	(553)
Acquisition of intangible assets	(408)	(232)	(1,351)	(788)
Distribution from a joint venture	-	-	500	-
Proceeds on disposal of property, plant and equipment	-	-	4	-
	(536)	(599)	(1,198)	(1,341)
Financing activities				
Increase of long-term debt	1,830	-	8,829	-
Repayment of long-term debt	(2,080)	(4,850)	(3,879)	(8,090)
Repurchase of share capital for cancellation (Note 7)	(1,830)	(183)	(8,829)	(225)
Lease inducement received	-	27	-	35
Cash dividends paid on common shares	(1,513)	(1,581)	(3,067)	(3,164)
	(3,593)	(6,587)	(6,946)	(11,444)
Net change in cash and cash equivalents for the period	1,061	(1,606)	1,006	(3,172)
Impact of exchange rate changes on cash and cash equivalents	283	200	188	(25)
Cash and cash equivalents at beginning of period	8,062	6,051	8,212	7,842
Cash and cash equivalents at end of period	9,406	4,645	9,406	4,645
Cash and cash equivalents consist of the following statement of financial position items:				
Cash and cash equivalents	8,333	4,149	8,333	4,149
Cash held for the benefit of third parties	1,073	496	1,073	496

1 Incorporation and nature of operations

Mediagrif Interactive Technologies Inc. (the “Company”) provides e-business solutions to consumers and businesses. It operates its activities through its wholly-owned subsidiaries. The Company also owns interests in a joint venture.

The Company, incorporated on February 16, 1996, under the *Canada Business Corporations Act,* is listed on the Toronto Stock Exchange. Its head office is located at 1111 St-Charles West, East Tower, Suite 255, Longueuil, Quebec, Canada.

The Board of Directors approved the interim condensed consolidated financial statements on November 10, 2015. Amounts are expressed in Canadian dollars, unless indicated otherwise.

2 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*, through the application of accounting principles that are compliant with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements do not include all of the information required for complete financial statements under IFRS, including the notes, and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2015. The annual financial statements of the Company are available on the SEDAR website at the following address: www.sedar.com and on the Company website at the following address: www.mediagrif.com

3 New and revised IFRS, issued but not yet effective

Standard and interpretation	Effective date for the Company	Presentation and impact on the Company
IFRS 9 *Financial Instruments*	Annual period beginning on April 1, 2018	On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9"), which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging, as these items are part of a separate IASB project that is currently ongoing. This final Standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which has an expanded scope, is based on expected credit losses rather than incurred credit losses and generally will result in earlier recognition of losses. This new Standard supersedes all prior versions of IFRS 9. The Company has not yet examined the impacts of this new standard.
IFRS 15 *Revenue from Contracts with Customers*	Tentatively for the annual period beginning on April 1, 2018	IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company has not yet examined the impacts of this new standard.

4 Segment information

The Company has only one reportable segment.

Geographical information is as follows:

In thousands of Canadian dollars	Three months ended September 30, 2015 $	Three months ended September 30, 2014 $	Six months ended September 30, 2015 $	Six months ended September 30, 2014 $
Revenue				
Canada	11,020	11,472	22,399	23,190
United States	6,330	5,305	12,053	10,580
Europe	152	176	307	357
Asia and other	451	559	903	1,116
	17,953	17,512	35,662	35,243

In thousands of Canadian dollars	As at Sept. 30, 2015 $	As at March 31, 2015 $
Non-current assets		
Canada	139,125	140,100
United States	24,612	24,681
Asia and other	5	6
	163,742	164,787

Revenue is attributed to geographic areas based on the location of the customers.

Non-current assets include property, plant and equipment, intangible assets, acquired intangible assets and goodwill.

5 Revenue

Revenue is detailed as follows:

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars	**2015** **$**	**2014** **$**	**2015** **$**	**2014** **$**
Revenue from rights of use	13,361	12,714	26,567	26,010
Revenue from transaction fees	2,216	1,625	4,198	3,186
Revenue from advertising	1,232	1,765	2,547	3,390
Revenue from software development	600	817	1,142	1,525
Revenue from integration, maintenance and hosting	362	317	755	632
Other	182	274	453	500
	17,953	17,512	35,662	35,243

6 Long-term debt

On November 10, 2011, the Company entered into a credit agreement, which was amended on November 13, 2012 (the “Credit Agreement”) with two Canadian financial institutions pursuant to which lenders made available to the Company a $60,000,000 secured revolving five-year credit facility (the “Revolving Facility”) and an accordion loan of $40,000,000 subject to lenders’ acceptance.

The Revolving Facility expires on November 9, 2016, and any outstanding amounts are due in full at maturity. Amounts under the Credit Agreement are repayable before maturity without penalty. As at September 30, 2015, the Company’s Revolving Facility stood at $31,050,000 ($26,100,000 as at March 31, 2015) and the amount is due in full during the fiscal year ended March 31, 2017.

The Revolving Facility bears interest at a rate based either on Canadian prime rate, LIBOR or bankers’ acceptance rate plus a margin in each case. This margin varies according to the ratio of total debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”), as described below. As at September 30, 2015, the actual rate was 0.79% (1.00% as at March 31, 2015) and the margin was 1.50% (1.50% as at March 31, 2015). In addition, the unused portion of the Revolving Facility bears interest at 0.30% (0.30% as at March 31, 2015) as standby fees.

All obligations under the Credit Agreement are secured by a first-rank security (hypothec) on substantially all of the Company’s assets, tangible and intangible, present and future.

The Credit Agreement contains certain covenants and certain events of default customary for loans of this nature, including some limitations to the levels of investments and acquisitions, capital expenditures and distributions. The Credit Agreement is also subject to restrictive covenants requiring certain financial ratios to be maintained. As at September 30, 2015, the Company was in compliance with the financial ratios prescribed under these covenants:

1. a fixed charge coverage ratio of not less than 1.20:1.00 at all times.
2. a total debt to EBITDA ratio of not more than 2.5.

Fixed charge, total debt and EBITDA, which are used in the calculation of the covenants mentioned above are defined precisely in the Credit Agreement.

Financial ratios are calculated using the financial information of the twelve-month period ending on the date when the ratio is calculated.

7 Share capital

a) Authorized and paid, unlimited number
- Common shares.
- Preferred shares, issuable in series with terms, conditions and dividends to be determined by the Board of Directors upon issuance.

b) The following table summarizes common share activity:

	Six months ended September 30,			
	2015		2014	
In thousands	**Shares**	**$**	**Shares**	**$**
Balance at beginning of period	15,542	81,695	15,817	83,141
Repurchased for cancellation i)	(526)	(2,765)	(12)	(63)
Balance at end of period	15,016	78,930	15,805	83,078

i) During the six months ended September 30, 2015, the Company repurchased for cancellation 526,009 (12,000 in 2014) of its common shares for a cash consideration of $8,829,263 ($224,894 in 2014) in connection with its Normal Course Issuer Bid. An average issue price of $5.26 ($5.26 in 2014) per share before repurchase was recorded as a deduction from Share capital in a total amount of $2,764,853 ($63,075 in 2014), and the balance was charged to Retained earnings.

c) Dividends declared

Six months ended September 30, 2015
Subsequent to the period ended September 30, 2015, i.e. on November 10, 2015, the Company announced the payment of a cash dividend of $0.10 per share, payable on January 15, 2016 to shareholders of record on January 4, 2016.

On August 4, 2015, the Company announced the payment of a cash dividend of $0.10 per share, payable on October 15, 2015, to shareholders of record on October 1, 2015.

On June 9, 2015, the Company announced the payment of a cash dividend of $0.10 per share, payable on July 15, 2015, to shareholders of record on July 2, 2015.

Six months ended September 30, 2014
On August 5, 2014, the Company announced the payment of a cash dividend of $0.10 per share, payable on October 15, 2014, to shareholders of record on October 1, 2014.

On June 10, 2014, the Company announced the payment of a cash dividend of $0.10 per share, payable on July 15, 2014 to shareholders of record on July 1, 2014.

8 Stock purchase plan

In July 2004, the Company established a stock purchase plan. Certain amendments to the plan have subsequently been adopted and are in effect on the date hereof for all regular full-time and part-time employees who are Canadian residents. Directors are not eligible to participate in this plan. Under the terms of the plan, employees may elect to contribute, through payroll deductions, up to 10% of their annual income up to a maximum of $20,000 annually to purchase common shares in the Company on the open market. Under the plan, the Company matches employee contributions to the plan up to a maximum contribution of $1,400 per employee ($1,300 in 2014). Employees must hold the portion of shares purchased with the Company's contribution for a period of 12 months. The purchase price of shares under the plan shall be equal to the market price of the Company's common shares on the purchase date.

9 Expenses by type

Operating profit includes the following items:

	Three months ended September 30,		**Six months ended September 30,**	
In thousands of Canadian dollars	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Amortization and depreciation				
Depreciation of property, plant and equipment	265	264	522	506
Amortization of intangible assets	244	128	450	239
Amortization of acquired intangible assets	881	1,504	1,775	2,868
Total	1,390	1,896	2,747	3,613
Employee benefits expense				
Salaries and employee benefits	7,253	6,993	14,884	14,296
Termination benefits	244	225	282	228
Total	7,497	7,218	15,166	14,524

10 Supplementary statements of cash flow and statements of income information

a) Changes in non-cash working capital items are as follows:

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Decrease (increase) in				
Accounts receivable	322	259	339	(167)
Tax credits receivable	(643)	(408)	(901)	(32)
Prepaid expenses and deposits	185	(53)	(286)	297
Increase (decrease) in				
Accounts payable and accrued liabilities	(563)	(109)	(714)	(199)
Other accounts payable	66	(101)	365	(665)
Deferred revenues	(468)	(9)	89	280
Total	(1,101)	(421)	(1,108)	(486)

b) Other revenue (expenses) consists of the following:

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Foreign exchange loss	762	378	612	63
Gain on disposal of property, plant and equipment	-	-	4	-
Total	762	378	616	63

c) Financial expenses consist of the following:

	Three months ended September 30,		Six months ended September 30,	
In thousands of Canadian dollars	**2015 $**	**2014 $**	**2015 $**	**2014 $**
Amortization of deferred financing costs	-	48	-	96
Interest on long-term debt	198	243	394	517
Total	198	291	394	613

11 Related party transactions

During the three months ended September 30, 2015, the Company recorded a revenue of $424,456 ($400,830 in 2014) from transactions with Société d'investissement M-S S.E.C "GWS", a 50%-joint venture owned by the Company. During the six-month period ended September 30, 2015, the Company recorded a revenue of $834,452 ($841,064 in 2014).

In addition, during the three months ended September 30, 2015, the Company recharged to GWS operating expenses in the amount of $34,136 ($76,348 in 2014) whereas this recharge was $73,053 ($124,801 in 2014) for the six months ended on September 30, 2015. These recharges were presented against operating expenses in the interim condensed consolidated statement of income. As at September 30, 2015, the Company has $76,924 of accounts receivable from GWS ($120,980 as at March 31, 2015).

These transactions occurred in the normal course of business and were measured at the amount of consideration agreed to by the parties.