MEDIAGRIF

Interim Condensed Consolidated Financial Statements for the three and nine months ended December 31, 2015 and 2014

(unaudited and not reviewed by independent auditors)

MEDIAGRIF

Interim Condensed Consolidated Statements of Income

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars, except per share amounts	**Three months ended December 31, 2015 $**	**2014 $**	**Nine months ended December 31, 2015 $**	**2014 $**
Revenue (Note 5)	18,541	17,537	54,203	52,780
Cost of revenue	3,396	3,506	10,437	10,592
Gross margin	15,145	14,031	43,766	42,188
Operating expenses				
General and administrative	2,186	2,015	6,636	6,292
Selling and marketing	3,814	3,679	11,332	10,713
Technology	2,526	2,940	7,945	9,696
	8,526	8,634	25,913	26,701
Operating profit	6,619	5,397	17,853	15,487
Other revenue, net amount (Note 10 b))	392	257	1,008	320
Financial expenses (Note 10 c))	(223)	(267)	(617)	(880)
Share of profit of a joint venture	29	49	141	164
Profit before income taxes	6,817	5,436	18,385	15,091
Income tax expense	1,966	1,380	5,025	4,041
Profit for the period	4,851	4,056	13,360	11,050
Earnings per share				
Basic and diluted	0.32	0.26	0.88	0.70
Weighted average number of shares outstanding				
Basic and diluted	15,011,039	15,670,007	15,187,166	15,767,057
Number of shares outstanding at end of period	14,998,979	15,542,255	14,998,979	15,542,255

Interim Condensed Consolidated Statements of Comprehensive Income

Unaudited and not reviewed by independent auditors

	Three months ended December 31,		Nine months ended December 31,	
	2015	**2014**	**2015**	**2014**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Profit for the period	4,851	4,056	13,360	11,050
Items that may be reclassified subsequently in profit or loss				
Change in unrealized losses on foreign currency forward contracts, net of deferred taxes	(407)	(286)	(924)	(349)
Reclassification of realized losses on foreign currency forward contracts, net of deferred taxes	361	131	887	364
	(46)	(155)	(37)	15
Comprehensive income for the period	4,805	3,901	13,323	11,065

Refer to the notes to the interim condensed consolidated financial statements

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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 Dec. 31, 2015 $	As at March 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents	10,427	7,546
Cash held for the benefit of third parties	1,263	666
Accounts receivable	7,435	5,691
Income taxes receivable	179	-
Tax credits receivable	4,676	3,947
Prepaid expenses and deposits	2,264	1,986
	26,244	19,836
Non-current assets		
Property, plant and equipment	2,171	2,084
Intangible assets	2,706	1,719
Acquired intangible assets	58,054	60,704
Goodwill	100,280	100,280
Investment in a joint venture	228	587
Deferred taxes	4,912	5,945
	194,595	191,155
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,775	6,861
Other accounts payable	3,503	1,229
Income taxes payable	-	1,084
Deferred revenue	15,964	16,473
Derivative financial instruments	1,483	1,431
Current portion of deferred lease inducement	139	150
	27,864	27,228
Non-current liabilities		
Long-term debt (Note 6)	28,801	26,100
Deferred lease inducement	559	661
Deferred taxes	15,573	15,063
	72,797	69,052
Shareholders' equity		
Share capital (Note 7)	78,839	81,695
Reserves	2,130	2,167
Retained earnings	40,829	38,241
	121,798	122,103
	194,595	191,155

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited and not reviewed by independent auditors

Nine months ended December 31, 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	-	-	-	-	13,360	13,360
Other comprehensive income for the period, net of income tax	-	-	(37)	(37)	-	(37)
Comprehensive income for the period	-	-	(37)	(37)	13,360	13,323
Repurchase of common shares for cancellation (Note 7)	(2 856)	-	-	-	(6,256)	(9,112)
Dividends declared on common shares	-	-	-	-	(4,516)	(4,516)
Balance as at December 31, 2015	78,839	3,213	(1,083)	2,130	40,829	121,798

Nine months ended December 31, 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	-	-	-	-	11,050	11,050
Other comprehensive income for the period, net of income tax	-	-	15	15	-	15
Comprehensive income for the period	-	-	15	15	11,050	11,065
Repurchase of common shares for cancellation (Note 7)	(1,446)	-	-	-	(3,511)	(4,957)
Dividends declared on common shares	-	-	-	-	(4,719)	(4,719)
Balance as at December 31, 2014	81,695	3,213	(474)	2,739	35,213	119,647

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Interim Condensed Consolidated Statements of Cash Flows

Unaudited and not reviewed by independent auditors

In thousands of Canadian dollars	Three months ended December 31, 2015 $	Three months ended December 31, 2014 $	Nine months ended December 31, 2015 $	Nine months ended December 31, 2014 $
Cash flows related to				
Operating activities				
Profit for the period	4,851	4,056	13,360	11,050
Adjustments for the following items:				
Amortization and depreciation (Note 9)	1,392	1,588	4,139	5,201
Amortization of deferred lease inducement	(37)	(31)	(113)	(93)
Amortization of deferred financing costs	-	24	-	120
Interest expense	223	243	617	760
Foreign exchange	(265)	(318)	(670)	(293)
Share of profit of a joint venture	(29)	(49)	(141)	(164)
Deferred taxes	795	310	1,940	441
Gain on disposal of property, plant and equipment	-	-	(4)	-
Loss on disposal of intangible assets	61	-	61	-
Income tax expense recognized in profit	1,171	1,070	3,085	3,600
Changes in non-cash working capital items (Note 10 a))	89	570	(1,019)	84
Interest paid	(220)	(261)	(617)	(733)
Income taxes received	-	1,131	-	1,131
Income taxes paid	(891)	(1,038)	(4,348)	(4,196)
	7,140	7,295	16,290	16,908
Investing activities				
Acquisition of property, plant and equipment	(503)	(61)	(854)	(614)
Acquisition of intangible assets	(419)	(480)	(1,770)	(1,268)
Distribution from a joint venture	-	-	500	-
Proceeds on disposal of property, plant and equipment	-	-	4	-
	(922)	(541)	(2,120)	(1,882)
Financing activities				
Increase of long-term debt	283	4,732	9,112	4,732
Repayment of long-term debt	(2,333)	(3,082)	(6,212)	(11,172)
Financing costs	(199)	-	(199)	-
Repurchase of share capital for cancellation (Note 7)	(283)	(4,732)	(9,112)	(4,957)
Lease inducement received	-	29	-	64
Cash dividends paid on common shares	(1,502)	(1,583)	(4,569)	(4,747)
	(4,034)	(4,636)	(10,980)	(16,080)
Net change in cash and cash equivalents for the period	2,184	2,118	3,190	(1,054)
Impact of exchange rate changes on cash and cash equivalents	100	318	288	293
Cash and cash equivalents at beginning of period	9,406	4,645	8,212	7,842
Cash and cash equivalents at end of period	11,690	7,081	11,690	7,081
Cash and cash equivalents consist of the following statement of financial position items:				
Cash and cash equivalents	10,427	5,588	10,427	5,588
Cash held for the benefit of third parties	1,263	1,493	1,263	1,493

Refer to the notes to the interim condensed consolidated financial statements

1 Incorporation and nature of operations

Mediagrif Interactive Technologies Inc. (the "Company") provides e-business solutions to consumer 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 February 9, 2016. 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*	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:

	Three months ended December 31,		Nine months ended December 31,	
In thousands of Canadian dollars	2015 $	2014 $	2015 $	2014 $
Revenue				
Canada	11,577	11,661	33,976	34,851
United States	6,346	5,214	18,399	15,794
Europe	150	161	457	518
Asia and other	468	501	1,371	1,617
	18,541	17,537	54,203	52,780

In thousands of Canadian dollars	As at Dec. 31, 2015 $	As at March 31, 2015 $
Non-current assets		
Canada	138,589	140,100
United States	24,617	24,681
Asia and other	5	6
	163,211	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 December 31,		Nine months ended December 31,	
In thousands of Canadian dollars	2015 $	2014 $	2015 $	2014 $
Revenue from rights of use	13,574	12,840	40,141	38,850
Revenue from transaction fees	2,067	1,751	6,265	4,937
Revenue from advertising	1,742	1,886	4,289	5,276
Revenue from software development	546	523	1,688	2,048
Revenue from integration, maintenance and hosting	420	315	1,175	947
Other	192	222	645	722
	18,541	17,537	54,203	52,780

6 Long-term debt

On December 18, 2015, the Company renewed its credit agreement, which was concluded on November 10, 2011, (the "Credit Agreement") with three Canadian financial institutions pursuant to which lenders made available to the Company a $80,000,000 ($60,000,000 as at March 31, 2015) secured revolving five-year credit facility (the "Revolving Facility") and an accordion loan of $40,000,000 ($40,000,000 as at March 31, 2015) subject to lenders' acceptance.

The Revolving Facility expires on December 18, 2020, and any outstanding amounts are due in full at maturity. Amounts under the Credit Agreement are repayable before maturity without penalty. As at December 31, 2015, the Company's Revolving Facility stood at $29,000,000 ($26,100,000 as at March 31, 2015) and the amount is due in full during the fiscal year ended March 31, 2021.

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 December 31, 2015, the actual rate was 0.88% (1.00% as at March 31, 2015) and the margin was 1.45% (1.50% as at March 31, 2015). In addition, the unused portion of the Revolving Facility bears interest at 0.29% (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 December 31, 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 (1.20:1.00 as at March 31, 2015) at all times.
2. a total debt to EBITDA ratio of not more than 3.0 (2.5 as at March 31, 2015).

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 12-month period ending on the date when the ratio is calculated.

The following table provides the long-term debt information:

In thousands of Canadian dollars	**As at Dec. 31, 2015** **$**	**As at March 31, 2015** **$**
Revolving credit facility, bearing interest at the bankers' acceptance rate, plus 1.45% (1.50% as at March 31, 2015), maturing in December 2020	29,000	26,100
Deferred financing costs i)	(199)	-
	28,801	26,100

i) The deferred financing costs are amortized using the effective interest rate method.

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:

	Nine months ended December 31,			
	2015		**2014**	
In thousands	**Shares**	**$**	**Shares**	**$**
Balance at beginning of period	15,542	81,695	15,817	83,141
Repurchased for cancellation i)	(543)	(2,856)	(275)	(1,446)
Balance at end of period	14,999	78,839	15,542	81,695

i) During the nine months ended December 31, 2015, the Company repurchased 543,276 (275,100 in 2014) of its common shares for a cash consideration of $9,112,261 ($4,957,141 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 $2,855,613 ($1,446,003 in 2014), and the balance was charged to Retained earnings.

c) Dividends declared

Nine months ended December 31, 2015

Subsequent to the period ended December 31, 2015, i.e. on February 9, 2016, the Company announced the payment of a cash dividend of $0.10 per share, payable on April 15, 2016 to shareholders of record on April 1, 2016.

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.

Nine months ended December 31, 2014

On November 11, 2014, the Company announced the payment of a cash dividend of $0.10 per share, payable on January 15, 2015, to shareholders of record on January 2, 2015.

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:

In thousands of Canadian dollars	Three months ended December 31, 2015 $	Three months ended December 31, 2014 $	Nine months ended December 31, 2015 $	Nine months ended December 31, 2014 $
Amortization and depreciation				
Depreciation of property, plant and equipment	245	266	767	772
Amortization of intangible assets	272	140	722	379
Amortization of acquired intangible assets	875	1,182	2,650	4,050
Total	1,392	1,588	4,139	5,201
Employee benefits expense				
Salaries and employee benefits	7,703	7,228	22,587	21,524
Termination benefits	-	5	282	233
Total	7,703	7,233	22,869	21,757

10 Supplementary statements of cash flow and statements of income information

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

In thousands of Canadian dollars	Three months ended December 31, 2015 $	Three months ended December 31, 2014 $	Nine months ended December 31, 2015 $	Nine months ended December 31, 2014 $
Decrease (increase) in				
Accounts receivable	(2,083)	(370)	(1,744)	(537)
Tax credits receivable	172	(293)	(729)	(325)
Prepaid expenses and deposits	8	(73)	(278)	224
Increase (decrease) in				
Accounts payable and accrued liabilities	681	(56)	(33)	(255)
Other accounts payable	1,909	2,128	2,274	1,463
Deferred revenue	(598)	(766)	(509)	(486)
Total	89	570	(1,019)	84

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

	Three months ended December 31,		Nine months ended December 31,	
	2015	**2014**	**2015**	**2014**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Foreign exchange gain	453	257	1,065	320
Other expenses	(61)	-	(57)	-
Total	392	257	1,008	320

c) Financial expenses consist of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2015	**2014**	**2015**	**2014**
In thousands of Canadian dollars	**$**	**$**	**$**	**$**
Amortization of deferred financing costs	-	24	-	120
Interest on long-term debt	223	243	617	760
Total	223	267	617	880

11 Related party transactions

During the three months ended December 31, 2015, the Company recorded revenue of $401,782 ($370,745 in 2014) from transactions with Société d'investissement M-S S.E.C "GWS", a 50%-joint venture owned by the Company. During the nine months ended December 31, 2015, the Company recorded revenue of $1,236,234 ($1,211,809 in 2014) from transactions with GWS.

In addition, during the three months ended December 31, 2015, the Company recharged to GWS operating expenses in the amount of $65,858 ($64,172 in 2014) whereas this recharge was $138,911 ($188,973 in 2014) for the nine months ended on December 31, 2015. These recharges were presented against operating expenses in the interim condensed consolidated statement of income. As at December 31, 2015, the Company has $95,531 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.