

Management Report

BRANCHEZ-VOUS! inc. – fiscal year ended December 31, 2004

This discussion should be read in conjunction with the information contained in the company's financial statements and the related notes to the financial statements.

Report dated April 13, 2005.

Overview

BRANCHEZ-VOUS! is a new media company, incorporated in 2000 but whose current operations, through mergers, began in 1995. It derives almost all of its revenues from advertising, sold on text, graphics or video format on web sites and in e-mail bulletins. Some of the sites it markets – including the BRANCHEZ-VOUS.com portal - belongs to the Corporation; the majority of the sites it markets belong to other publishers, who contract out to the Corporation all or part of their advertising sales – as is the case for Astral Media. Its headquarters are in Montreal, Québec.

Mission, vision and strategies

Mission

BRANCHEZ-VOUS!' mission is to **help the Quebec consumers, the advertisers who want to reach them and their agencies to better exploit all the Internet's potential.**

Vision

BRANCHEZ-VOUS! aims to :

- Strengthen its position as the **leading independent player** in the Internet advertising market in Quebec and to
- Establish a **specialized information media pole** as an alternative to large groups.

Values

- Satisfaction of customers
- Frankness and transparency
- Efficiency and flexibility
- Credibility of the information we deliver
- Team spirit

Strategies

The main strategies used by BRANCHEZ-VOUS! rely on :

- a **commercial and promotional synergy** of its activities as publisher, for its own sites, and as advertising representative, for its own sites and for those of the publishers which give it part or all of the commercialization for their site, allowing all the sites within its network to benefit from an increased common market share;
- the primacy of **efficiency, rapidity and flexibility of the customer service** it offers to advertisers and agencies, in order to maximise its revenues and to distinguish itself from its competitors affiliated with larger companies;

- the **focus** of its operations **under the BRANCHEZ-VOUS! brand**, in order to maximise the visibility, the recognition and the credibility of the Corporation;
- play the card of the **independent player valuing out** neutrality and on a certain sympathy from the audience and from the advertisers; and
- an **operational efficiency** and a **light corporate structure**, including the important usage of outsourcing, to allow it to keep a small cost structure.

Market trends

Internet usage is growing steadily. This growth should continue, but at a lower pace – now that a majority of Quebecers already have access to the Internet and use it. This evolution has a positive impact on e-commerce transactions volume and on the average monthly usage of the Internet by consumers.

The Internet advertising market is growing rapidly and steadily, faster than Internet usage, and this growth should continue during the next few years. The Internet share of corporations' advertising media expenditures is also growing.

Within this market, the fastest growth comes from keyword-based advertising – a segment in which the Corporation has very little activity. The display advertising segment (banners, big boxes, etc.), which is the main sector of the Corporation's activities, is also growing, though.

The market is fragmented, but is consolidating around its major players, including Sympatico-MSN (Bell Canada and Microsoft) and Canoe (Quebecor Media). Even at a smaller scale, the Corporation seems to have benefited more than suffered from this consolidation thanks to its ad representation activities.

The market of Internet ad representation is also consolidating. After Genex Communications withdrew from this market in 2004, the Corporation has only one competitor in this market in Quebec, 247 Canada.

The content offering of generalist and specialized portals is enhanced regularly and the Corporation must devote its creative and acquisition resources to the content items which will allow it to quickly generate advertising revenues.

Main performance indicators

Management considers that the main factors of the Corporation's performance are the following:

- Sales
- Gross profit margin
- Net income
- Working capital
- Shareholders' equity

Ability to deliver the desired results

The ability of the Corporation to deliver the desired results depend mainly on :

- The evolution (size, composition and concentration) of the Internet advertising market in Québec

- The number, traffic, popularity and positioning of the sites marketed by the Corporation
- The ability of the Corporation's sales force to meet its advertisers and agencies clients' expectations
- The Corporation's ability to meet its sites' users expectations in terms of content
- Keeping a sound financial structure and sufficient working capital to allow the Corporation to react quickly to business threats and opportunities which may appear.

General performance

Fiscal year ended December 31, 2004 showed good operating results, due to a general growth of the advertising market compared to the previous fiscal year. The increase in Gross margin (+55%) was slightly higher than the increase in sales (+48%). As operating expenses increased less rapidly (+35%), the income before other items, at 405,000 \$ in 2004, has more than doubled (+117%) compared to 2003.

However, the Corporation's results have suffered from a depreciation of its stake in the Passeport Media International company (\$ 194,000) and from the expenses incurred to lead a corporate reorganization which, finally, could not be completed as expected (\$ 171,000). These two non recurring items reduced the net earnings to \$ 39,000 in fiscal year 2004.

These earnings contributed to the shareholders' equity, which increased from \$ 532,000 in 2003 to \$ 571,000 in 2004.

Selected annual information

Audited. All figures in \$.
For fiscal year ended:

	December 31, 2004	December 31, 2003	December 31, 2002
Revenues	1,707,000	1,153,000	894,000
Earnings (loss) before other elements	405,000	185,000	163,000
Net earnings	39,000	90,000	161,000
Basic and diluted earnings per share	0.00	0.00	0.01
Total assets	897,000	713,000	353,000
Long term financial liabilities	0	0	1,500
Declared dividends	0.00	0.00	0.00

The Corporation's revenues have been increasing regularly since 2002. Profitability of the Corporation's operations has increased in 2004 compared to 2003, as it had increased in 2003 compared to 2002. But the combined effect of the write-off of its long term placement invested in Passeport Media International inc. on March 6, 2003 and of the

fees incurred in relation to a projected corporate reorganization which was abandoned have significantly reduced the earnings in 2003 and 2004.

Highlight

Cancellation of a projected corporate reorganization

In December 2004, the Corporation acknowledged that Passeport Media International ("PMI"), as it would be after a reverse take-over of the Corporation, which was planned as part of a projected corporate reorganization announced in December 2002, could not meet all the new listing requirements of the TSX Venture exchange and that, very probably, this hurdle could not be overcome. Consequently, the Board of directors of the Corporation, after consulting PMI's management, decided to stop the process of the corporate reorganization announced in 2002 and to focus back all its efforts on its existing Internet operations.

As a consequence, on April 12, 2005, the Corporation sold its stake in PMI to PMI in consideration for \$100,000 in cash, thus registering a \$ 194,000 write-off of the residual value of its investment in PMI.

Promotional contra exchange

The Corporation signed several promotional agreements with large media, for a cumulative amount of \$60,000. The same amount has been registered in revenues and expenses, corresponding to non-cash transactions.

Operating results

Revenues increased by 48% in 2004 compared to 2003. The corporation expects a growth of its sales in 2005, but lower than the growth experienced in 2004. The Internet advertising market is in a steady growth and the Corporation estimates this growth should continue during the coming years. The Corporation estimates that it has at least maintained its share of the Quebec market in 2004 compared to 2003. However, competition remains strong and most of the main competitors of the Corporation are part of much larger organizations (Bell, Microsoft, Power Corp., Transcontinental, Telus) and benefit from content, promotional and/or advertising sales synergies with other media and/or Internet access services. The Corporation estimates that it can maintain its position in this market, though.

Cost of sales, which corresponds to royalties paid to publishers of sites represented by the Corporation, have increased by 37% in 2004 compared to 2003. This increase has been lower than the increase in sales, mostly because the composition of the sales between the various sites represented has evolved, in 2004 compared to 2003, resulting in a lower average royalty rate. However, this decrease is not a long term trend : management expects that cost of sales increase as least as quickly as sales.

Gross profit has increased by 55% in 2004, at 68% of sales in 2004 versus 65% of sales in 2003. The Corporation does not expect an increase of its gross profit margin and rather anticipates, mid to long term, a slight decrease.

Earnings before other elements increased by 111% in 2004, at 23% of sales in 2004 versus 16% of sales in 2003. An expected increase in operating expenses in 2005 could impact profit negatively.

In 2004, the Corporation registered a non-cash expense of \$ 194,000 corresponding to depreciation of the residual value of the investment of \$ 350,000 into Passeport Media

International inc. («PMI») on March 6, 2003. The Corporation took this non-cash expense based on the analysis of the evolution of the financial structure, of operating results and of PMI's net assets. In 2003, the investment was registered at the equity value and had caused a share-loss for a satellite of \$ 56,000.

In 2004, the Corporation registered an exceptional charge of \$ 171,000 for **corporate fees**, related to a corporate reorganisation initiated in December 2002 and abandoned in December 2004. This charge represented 10% of sales in 2004. A charge of \$ 40,000, for the same corporate reorganization, had been registered in 2003. No charge related for such corporate fees is expected in 2005. The Corporation now intends to focus all its efforts and resources on its Internet operations.

Quarterly information

Unaudited. Figures in \$.

	2004				2003			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	490,000	420,000	490,000	320,000	252,000	270,000	369,000	253,000
Earnings (loss)	(79,000)	25,000	51,000	41,000	(5,000)	18,000	50,000	2,000
Basic and fully diluted earnings per share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Sales and earnings vary significantly from one quarter to another, because the vast majority of the sales of the Corporation come from advertising campaigns which last a few weeks and are not booked on a regular basis.

The net loss registered in the fourth quarter of 2004 comes mainly from the write-down of the investment into Passeport Media International inc.

Liquidity

As at December 31, 2004, the Corporation held \$ 389,000 in cash and short-term investments, compared to \$ 200,000 in cash and short-term investments as at December 31, 2003. The increase in liquidity of the Corporation comes from the income before other items of \$ 405,000, which was only partially offset by \$ 171,000 fees incurred in relation to the corporate reorganization project. The \$ 194,000 write-off of the long term investment into PMI had no impact on the cash flows of the Corporation in 2004, because the Corporation had initiated this \$350,000 investment in March 2003.

The Corporation estimates that its liquidity is sufficient to finance its growth.

No current obligation should have a negative impact on the Corporation's liquidity. The Corporation does not plan any other long term investments along the lines of the restructuring efforts seen last year.

Contractual obligations

In\$.

	TOTAL	2005	2006
Long term obligation	0	0	0
Capital lease	0	0	0
Operating lease	3,000	3,000	0
Buying obligation	42,000	32,000	10,000
Other long term obligations	0	0	0
TOTAL of contractual obligations	45,000	35,000	10,000

Financing sources

The Corporation has no established financing source other than self-financing. However, the Corporation – which currently has no debt – may try to obtain a bank loan to invest into a major project and/or proceed with an acquisition.

Related parties transactions

In 2004, the Corporation, in the course of normal business operations, entered into a transaction controlled by Mr. Bruno Gautier, a director of the Corporation. These transactions related to a lease for the offices of the Corporation and to buying advertising space and event sponsorships for the promotion of the Corporation's operations. The total amount of these transactions was \$ 28,420.

Fourth quarter

In Q4 2004, the Corporation's revenues increased by 94% compared to revenues of Q4 2003. This increase allowed the Corporation to register an income before other items close to four times higher than was registered in Q4 2003.

In Q4 2004, the Corporation acknowledged that Passeport Media International, in its new form post the planned reverse take-over of the Corporation, did not meet all the new listing requirements of the TSX Venture Exchange and that, very probably, this hurdle

could not be overcome. Consequently, the Board of directors of the Corporation, after consulting PMI's management, decided to stop the corporate reorganization process.

On the basis of analysis of the evolution of the financial structure, of operating results and of PMI's net assets, the Corporation estimated that it would be prudent to write-off entirely the residual value of its investment into PMI, estimated at 194 000 \$, in December 2004.

Projected transactions

The board of directors has not approved any future major transaction.

Risks and uncertainties

Variations related to the overall economic situation

All the revenues of the Corporation come from advertising. The amount of advertising expenditures is directly related to the overall economic situation and they tend to exaggerate changes in this situation. The overall economic situation could evolve in an unexpected way and have an impact on the Corporation's revenues.

Being marginalized by large groups

Content, promotional and commercial synergies within large competing media groups active in the Quebec Internet market, such as Sympatico-MSN, Quebecor Media, Gesca/La Presse and Transcontinental, could create a gap within the media and services offering of these groups and the offering of the Corporation, which would result in reducing the Corporation's ability to offer its customers alternative solutions to these large groups.

Dependence on main clients

In 2004, two clients represented 48 % of the revenues of the Corporation. A change in these clients' strategy or in their preferences in terms of media buying could impact negatively the Corporation's revenues. However, the main clients advertising or media agencies, which represent themselves several advertisers, the probability that they may stop to do business for all of their clients is limited.

Dependence on main represented sites

A large part of the Corporation's advertising revenues are registered on sites which do not belong to the Corporation but with which publishers' it has commercial representation agreements. Among these represented sites, sites belonging wholly or partly to a company represented more than half of these revenues. Arriving and departing represented sites and the evolution of the business relationship of the Corporation with the publishers it represent could have an impact on the Corporation's revenues or profitability.

Dependence on key human resources

The Corporation's success depends on a few key individuals, including in management and sales. As the Corporation lives in a highly competitive environment, the arrival or leaving of one or several individuals could have a significant impact on the Corporation's revenues and/or management.

High volatility of the share price

Because of the very low volume of its transactions on the market, the Corporation's share price is subject to high volatility.

Number of outstanding shares

As at December 31, 2004, 28,935,117 common shares of the Corporation were issued and outstanding.

Forward looking statement

Some statements made in this annual report, particularly with respect to the Company's expectations, constitute forward-looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties related to competition, financial markets, access to capital, and changes in the general and sectoral economic development. These risks may result in the actual future results of the Corporation being significantly different from the ones which are expected.

(signed)

Patrick Pierra

President and Chief Executive Officer

(signed)

Robert Larocque, CMA, MBA

Chief Financial Officer