

Management Report

BRANCHEZ-VOUS! inc. – fiscal year ended December 31, 2005

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 24, 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. Its headquarters are in Montreal, Québec.

Mission, vision and strategies

Our mission

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

Our vision

BRANCHEZ-VOUS! aims to :

- Establish a **specialized information media pole** as an alternative to large groups
- Extend its reach throughout **Canada** and the **French-speaking world**

Our values

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

Our 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.

Our goals for 2006

- strengthen our position as the **leading independent player** in the Internet advertising market in Québec

- start representing English-language sites in English Canada
- increase our share of the advertising marketing in Canada
- enrich the content of our portal
- build a loyal audience for our video portals
- strengthen our team
- better convey the value of our corporation to the stock market

Market trends

In Québec, the percentage of consumers who use the Internet regularly seems to have reached a plateau, as a majority of Quebecers already have access to the internet and use it. However, the duration of Internet usage and the number of page viewed are still growing. The volume of electronic commerce is also increasing.

The Internet advertising market is growing rapidly and steadily and this growth should continue during the next few years - as the Internet share of corporations' advertising media expenditures grows.

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., including animated and video "Rich Media" advertising), 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 remains very competitive. In addition to 247 Canada, the Corporation must, since the beginning of 2006, face a new competitor: the Quebec-based Networkworldmedia, which was previously specialized in keywords-based advertising.

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. With the BRANCHEZ-VOUS.com portal, the Corporation has a leadership position in the Technology information segment. However, it must face a new specialized competitor, Technaute.com, launched by Gesca in 2005.

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, 2005 showed excellent operating results, mostly due to a general growth of the advertising market compared to the previous fiscal year.

The increase in Gross margin (+50%) was almost as strong as the increase in sales (+53%). As operating expenses (+57%) increased faster than sales, earnings before other elements increased at a lower pace (+37%), to end up at \$ 553,000 in 2005.

In 2005, net earnings were the same as earnings before other elements. Consequently, net earnings were multiplied by 14, to end up at \$ 553,000 in 2005.

These earnings contributed to the shareholders' equity, which increased from \$ 571,000 in 2004 to \$ 1,140,000 in 2005.

Selected annual information

Audited. All figures in \$.

For fiscal year ended:	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Revenues	2,629,000	1,720,000	1,153,000
Earnings before other elements	553,000	405,000	185,000
Net earnings	553,000	39,000	90,000
Basic and diluted earnings per share	0.02	0.00	0.00
Total assets	1,723,000	897,000	713,000
Long term financial liabilities	0	0	0
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 every year since 2002. Since the cancellation of a projected corporate reorganization in December, 2004 and the sale of a long term placement invested in Passeport Media International inc. in April, 2005, no non recurring expense was registered in 2005 and has had any negative impact on the net earnings, as was the case in 2003 and 2004.

Highlights

Launch of two video portals

On November 1st, 2005, the Corporation launched two new web sites, BRANCHEZ-VOUS.tv and BV2.tv, which present short video clips. These two sites should allow the Corporation to sell more Internet video advertising.

Sale of an investment in a company subject to significant influence

On April 12, 2005, the Corporation sold to Passeport Media International ("PMI") the investment in PMI that the Corporation hold at the time, for a consideration of \$ 100 000 in cash. Related to this transaction, the Corporation registered a write-off of \$ 194,000 of its long-term investment in PMI. As this write-off had been registered in fiscal year 2004, the only impact of that transaction on the financial statements of the Corporation has been the replacement of a long-term investment, valued at \$100,000, by a sum of \$ 100,000 in cash.

Promotional contra exchange

The Corporation signed several promotional agreements with large media, for a cumulative amount of \$ 149,000. The same amount has been registered in revenues and expenses, corresponding to non-cash transactions.

Operating results

Revenues increased by 53% in 2005 compared to 2004. The Corporation expects a growth of its sales in 2005, but probably 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 59% in 2005 compared to 2004, resulting in such royalties representing 33% of sales in 2005 compared to 32% of sales in 2004. If this increase has been higher than the increase in sales, that comes mostly because the composition of the sales between the various sites represented has evolved, in 2005 compared to 2004, resulting in a higher average royalty rate. This increase corresponds to a long term trend : management expects that cost of sales will increase again slightly faster than sales in 2006.

Gross profit has increased by 50% in 2005, at 66% of sales in 2005 versus 68% of sales in 2004. The Corporation expect a slight decrease of its gross profit margin in 2006, due to an expected increase in the cost of sales.

Earnings before other elements increased by 37% in 2004, at 21% of sales in 2005 versus 24% of sales in 2004. Management expects that the Corporation's operations will remain profitable and 2006, but does not expect an increase in earnings before other elements.

As announced, in 2005, the Corporation focused all its efforts and resources on its Internet operations.

In 2004, the Corporation had 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 had taken this non-cash expense based on the analysis of the evolution of the financial structure, of operating results and of PMI's net assets. Also, in 2004, the Corporation had registered an exceptional charge of \$ 171,000 for **corporate fees**, related to a corporate reorganization initiated in December 2002 and abandoned in December 2004. This charge represented 10% of sales in 2004. No charge related for such corporate fees is expected in 2005.

Quarterly information

Unaudited. Figures in \$.

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	859,000	601,000	739,000	430,000	508,000	420,000	490,000	320,000
Earnings (loss)	170,000	100,000	210,000	72,000	(79,000)	25,000	51,000	41,000
Basic and fully diluted earnings per share	0.01	0.00	0.01	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. However, sales are usually higher during the second and fourth quarters than, respectively, during the first and third quarters.

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, 2005, the Corporation held \$ 507,000 in cash and short-term investments, compared to \$ 389,000 in cash and short-term investments as at December 31, 2004. The increase in liquidity of the Corporation comes from earnings before other elements of \$ 553,000,

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, in the short term, any long term investments except for financial investments.

Contractual obligations

In \$.

	TOTAL	2006	2007	2008
Long term obligation	0	0	0	0
Capital lease	0	0	0	0
Operating lease	0	0	0	0
Buying obligation	160,000	117,000	44,000	0
Other long term obligations	0	0	0	0
TOTAL of contractual obligations	160,000	117,000	44,000	0

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 2005, the Corporation, in the course of normal business operations, entered into a transaction controlled by Mr. Bruno Gautier, a director of the Corporation until June 14, 2005.

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 \$ 40,207.

Fourth quarter

In Q4 2005, ended on December 31, 2005:

- the Corporation's revenues increased by 69% compared to revenues of Q4 2004. This increase was mostly due to an increase in advertising sales, but also to an increase in promotional contra exchange and capital gains on short term investments;
- Cost of sales increased by 90% compared to Q4 2004, because of an increase in the proportion of sales on represented sites versus sites owned by the corporation and because of an increase in the average royalty rate paid to the represented sites by the Corporation;
- Earnings before other elements increased by 27% compared to Q4 2004;
- Net earnings were \$ 169,000, to be compared to a net loss of \$ 79,000 in Q4 2004. This improvement is due to the increase of the income before other elements, as well as to the absence, in 2005, of any

non recurring expense related to the long term investment that the Corporation hold in PMI until April 2005.

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 2005, 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. The agreement between that company and the Corporation will end in the second half of 2006, and nothing allows to forecast if the agreement will be renewed or not renewed, or if the agreement may be extended in a modified form. 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, 2005, 29,092,517 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