

Management Report

BRANCHEZ-VOUS! inc. – fiscal year ended December 31, 2007

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 22, 2008

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. 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 wish 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 competitors affiliated with larger corporations;
- the **focus** of its operations **under the BRANCHEZ-VOUS! brand**, in order to maximise the visibility, recognition and 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 2008

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

- maintain and, if possible, increase our share of the advertising marketing in Canada
- diversify our portfolio of represented sites, so as to spread the risks related to losing any specific site
- in our core Québec market, develop advertising sales on English-language and France-based sites
- entrench the position of the BRANCHEZ-VOUS.com portal as a leading News / Biz / Tech portal in Québec
- take stakes in or acquires vertical French-language web sites, complementing BRANCHEZ-VOUS.com
- position the corporation as a vehicle for consolidation in the marketplace

Market trends

In Québec, the percentage of consumers who use the Internet regularly seems to have reached a plateau, as a 72% of Quebecers already use the Internet on a regular basis. 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 – even if the general economic context slows down the general advertising market.

Within this market, the fastest growth comes from keyword-based advertising – a segment in which the Corporation is not yet active. 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 video advertising sub-segment, while still marginal, is poised for fast growth.

The Internet advertising market is fragmented and, after a consolidating phase around its major players, including Sympatico-MSN (Bell Canada and Microsoft) and Canoe (Quebecor Media), the distribution between the largest players – including BRANCHEZ-VOUS! – has seemed to become more stable recently.

The market of Internet ad representation is increasingly competitive. Four other corporations are marketing in Québec services similar to those of the Corporation.

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 but competes with Gesca-owned Technaute.com and, to a lesser extent, with technology sections of large portals.

Main performance indicators

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

- Sales
- Gross profit margin
- EBITDA
- 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 degree of competition in the marketplace, as it affects the average advertising rates and royalty rates to be paid to represented publishers
- 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 challenges and opportunities which may appear.

General performance

Fiscal year ended December 31, 2007 showed satisfying operating results, mostly due to a general growth of the advertising market compared to the previous fiscal year.

The increase in Gross profit (+14%) compared to 2006 was slower than the increase in sales (+26%). As operating expenses increased slower than sales, net earnings increased by 28%, to end up at \$ 350,000 in 2007. Adjusted EBITDA increased by 41%, from \$ 323,000 in 2006 to \$455,000 in 2007, or 10% of sales.

Earnings per share remained the same, at 1 cent, in 2007 as in 2006.

Earnings contributed to the shareholders' equity, which increased from approximately \$ 1.5 million as at December 31, 2006 to almost \$ 1.9 million – or approximately 6 cents per share - as at December 31, 2007.

Selected annual information

All figures in \$.

For fiscal year ended:	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Revenues	4,331,000	3,444,000	2,629,000
Gross profit	2,325,000	2,042,000	1,759,000
EBITDA	398,000	300,000	566,000
Adjusted EBITDA*	455,000	323,000	566,000
Net earnings	350,000	274,000	553,000
Basic and diluted earnings per share	0.01	0.01	0.02
Total assets	2,778,000	2,237,000	1,723,000
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. Gross profit of the Corporation has increased every year and the Corporation's operations have remained profitable since 2002.

* : Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, to which the corporation adds stock-based compensation, as this expense does not result in any use of operating cash flows by the Corporation. Adjusted EBITDA is provided as a supplementary earnings measure to assist readers in determining the ability of BRANCHEZ-VOUS! to generate cash from operations and to cover financial charges. It is also widely used for business valuation purposes. This measure does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

Reconciliation of Adjusted EBITDA

All figures in \$.

For fiscal year ended:	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Net earnings	350,000	274,000	553,000
Amortization	48,000	26,000	13,000
EBITDA	398,000	300,000	566,000
Stock-based compensation	57,000	23,000	0
Adjusted EBITDA	455,000	323,000	566,000

Operating results

Consolidated results

As BRANCHEZ-VOUS! owns, since May 25, 2007, a 51% stake in the newly-created TonClip.com inc. subsidiary, financial statements for the fiscal year and the three-month period ended Dec. 31, 2007 are consolidated financial statements including the results of the TonClip.com inc. subsidiary. Including the TonClip.com inc. results do not change significantly the BRANCHEZ-VOUS! financial statements for the periods ended Dec. 31, 2007, nor the comparison with non consolidated financial statements for previous periods.

Revenues increased by 26% in 2007 compared to 2006. BRANCHEZ-VOUS! expects a growth of its sales in 2008, somewhat lower than the growth experienced in 2007. The Internet advertising market is in a steady growth and BRANCHEZ-VOUS! estimates this growth should continue during the coming years. The Corporation estimates that it has mostly maintained its share of the Internet "display" advertising market in Québec in the past few years. Increased competition from both large portals and ad networks may put pressure on its market share. However, BRANCHEZ-VOUS! estimates that it can maintain its position as a major player in the market.

Cost of sales, which corresponds to royalties paid to publishers of sites represented by BRANCHEZ-VOUS!, have increased by 43% in 2007 compared to 2006, representing 46% of sales in 2007 compared to 41% of sales in 2006. This increase has been higher than the increase in sales for two main reasons. Firstly, the composition of the sales between the various sites represented has continued to evolve, in 2007 compared to 2006. Secondly, larger represented sites have been offered more favourable revenue-sharing conditions, 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 2008.

Gross profit has increased by 14% in 2006, at 54% of sales in 2007 versus 59% of sales in 2006. BRANCHEZ-VOUS! expects an increase in gross profit but a slight decrease of gross profit margin in 2007, due to the expected increase in the cost of sales.

Net earnings decreased by 28% in 2007, remaining stable at 8% of sales in 2007 as in 2006. Management expects that the Corporation's operations will remain profitable in 2008.

Adjusted EBITDA increased 41%, from 9% of sales in 2006 to 10% of sales in 2007, mainly because of an increase in expenses due to stock-based compensation.

Horizontal analysis

Change in main items of the statement of earnings and deficit.

	2007	Variation / 2006	Variation / 2006
	\$	\$	%
Sales	4,331,000	+887,000	+26%
Cost of sales	2,006,000	+603,000	+43%
Gross profit	2,325,000	+283,000	+14%
Operating expenses	1,984,000	+216,000	+12%
EBITDA	398,000	+98,000	+33%
Adjusted EBITDA	455,000	+132,000	+41%
Net earnings	350,000	+76,000	+28%
Earnings per share	0.01	0	-

Vertical analysis

Share of main items in the statement of earnings and deficit, as a proportion of revenues.

	2007	2006
Sales	100%	100%
Cost of sales	46%	41%
Gross profit	54%	59%
Operating expenses	46%	51%
EBITDA	9%	9%
Adjusted EBITDA	10%	9%
Net earnings	8%	8%

Liquidity

As at December 31, 2007, BRANCHEZ-VOUS! held \$ 700,000 in cash and short-term investments, compared to \$ 111,000 in cash and short-term investments as at December 31, 2006. As at December 31, 2007, an amount of \$ 700,000 was reclassified from long-term to short-term investments, as it might be used in transactions which were considered, but not finalized, at that time. In the first three months of 2008, the acquisition of and investments in several web sites used \$ 535,000 in cash. Another acquisition project may, if it is implemented, use additional cash from the cash reserves of the Corporation.

An amount of \$ 54,000 on the Corporation's credit line was used as at December 31, 2007.

Management estimates that BRANCHEZ-VOUS!' liquidity is sufficient to finance its growth.

Contractual obligations

Figures in \$.

	TOTAL	2008	2009	2010
Long term obligation	0	0	0	0
Capital lease	0	0	0	0
Operating lease	0	0	0	0
Buying obligation	346,000	301,000	45,000	0
Other long term obligations	0	0	0	0
TOTAL contractual obligations	346,000	301,000	45,000	0

Financing sources

The Corporation has no long-term debt and has no established financing source other than self-financing and a credit line of up to \$ 200,000, which is secured by a long-term investment.

Related parties transactions

In 2007, the Corporation registered \$ 88,000 in related-party transactions for services provided by a legal firm of which a Director of the Corporation is also a partner. The Corporation had no related party transaction in 2006.

Other highlights

Creation of a subsidiary

On May 25, 2007, BRANCHEZ-VOUS! created a subsidiary, TonClip.com inc., for the purpose of acquiring and operating the video-sharing TonClip.com web site. BRANCHEZ-VOUS! owns a 51% stake in this subsidiary, which operations had no significant impact on the 2007 financial results of the Corporation.

Promotional contra exchange

The Corporation signed several promotional agreements with large media, for a cumulative amount of \$ 80,000 in 2007 and \$ 74,000 in 2006. The same amount has been registered in revenues and expenses, corresponding to non-cash transactions.

Quarterly information

Figures in thousand \$ except for earnings per share, in \$.

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,033	1,053	1,370	875	1,042	698	1,092	612
Gross profit	561	578	699	487	606	363	669	404
EBITDA	49	39	243	66	213	(90)	120	56
Adjusted EBITDA	67	55	256	78	237	(90)	120	56
Net earnings (loss)	28	29	235	58	207	(97)	114	50
Basic and fully diluted earnings per share	0.00	0.00	0.01	0.00	0.01	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.

The net loss registered in the third quarter of 2006 came mainly from charges which were provisioned for planned issuance of a share bonus to an employee. The plan to issue such share bonus was later abandoned in Q4 2006.

Reconciliation of adjusted EBITDA

Figures in thousand \$.

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net earnings (loss)	28	29	235	58	207	(97)	114	50
Amortization	21	10	9	8	7	7	6	6
EBITDA	49	39	243	66	213	(90)	120	56
Stock-based compensation	17	16	12	12	23	-	-	-
Adjusted EBITDA	67	55	256	78	237	(90)	120	56

Fourth quarter

In Q4 2007, ended on December 31, 2007:

- **Revenues** remained flat compared to revenues of Q4 2006. On a sequential basis, revenues decreased by 2% compared to Q3 2007. This decrease was due to the end of a representation agreement with Astral Media as of August 31, 2007.
- **Gross profit** decreased by 7% compared to Q4 2006. Gross profit decreased mostly because of an increase in the average royalty rate paid to the represented sites by the Corporation. On a sequential basis, gross profit decreased by 3% compared to Q3 2007. This decrease was due to a decrease in sales.
- **Net earnings** decreased by 86% compared to Q4 2006, mostly due to an increase in operating and administrative expenses. On a sequential basis, net earnings remained flat net compared to Q3 2006.
- **Adjusted EBITDA** decreased by 72% compared to Q4 2006. On a sequential basis, Adjusted EBITDA increased by 22% compared to Q3 2006.

Subsequent events

On March 14, 2008, the Corporation acquired the Fanatique.ca and HumourQuebec.com web sites.

On April 1st, 2008, the Corporation acquired several web sites, including Showbiz.net and Matin.qc.ca, from Genex Communications.

These transactions, and two minority investments in two other web sites, resulted in the use of \$ 535,000 in cash flows and in the issuance of 745,898 common shares, corresponding to a \$365,000 amount based on the average closing price of the 10 days preceding the announcement of each transaction.

Changes in accounting policies

On January 1, 2007, the Company adopted CICA accounting handbook section 3855, Financial Instruments – Recognition and Measurement, section 3861, Financial Instruments – Disclosure and Presentation, section 1530, Comprehensive Income, and section 3251, Equity.

Financial instruments

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions.

Measurement in subsequent years is dependent upon the classification of the financial instrument as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other than held-for-trading liabilities.

The held-for-trading classification is applied when an entity is trading in an instrument or alternatively, the standard permits that any financial instrument be irrevocably designated as held-for-trading. The held-to-maturity classification is applied only if the asset has specified characteristics and the entity has the ability and intent to hold the asset until maturity. An asset can be classified as available-for-sale when it has not been classified as trading or held-to-maturity or loans and receivables. Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in net earnings. Financial assets classified as held-to-maturity or loans and receivables, and financial liabilities classified as other than held-for-trading liabilities are measured at amortized cost using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses being recognized in Other Comprehensive Income (“OCI”) as described below. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

Section 3861 establishes standards for the presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The purpose of the section is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Transaction costs

For a financial asset or financial liability classified as held for trading, all transaction costs are recognized immediately in net earnings. For a financial asset or financial liability classified other than as held for trading, directly attributable transaction costs are added to the amount of such asset or liability.

Comprehensive income

Section 1530 introduces Comprehensive Income, which consists of net earnings and OCI. OCI represents changes in Shareholders' equity during a period arising from transactions and other events with non-owner sources that are recognized in Comprehensive Income, but excluded from net earnings. Items affecting OCI are recorded prospectively commencing from January 1, 2007. Cumulative changes in OCI, if any, are included in Accumulated Other Comprehensive Income (AOCI), which is presented as a new category within Shareholders' equity on the balance sheet. OCI and AOCI are presented net of tax.

Equity

Section 3251 establishes standards for the presentation of equity and the changes in equity during the period.

Impact upon adoption

In accordance with the transitional provisions of the standards, prior periods have not been restated in light of the adoption of these new accounting standards.

Upon adoption, no adjustment was required to the financial statements as at January 1st, 2007.

Internal controls

Based on management's knowledge of the Corporation's disclosure controls and procedures, the Chief Executive Officer and the Chief Financial Officer have concluded from an evaluation they have performed that the Corporation disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified in those rules and forms. No change that materially affected or are reasonably likely to materially affect internal control over financial reporting were disclosed by others within the Corporation or identified by management during the year ended December 31, 2007.

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 overemphasize 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 or Gesca/La Presse could create a gap within the media and services offering of these groups and those of the Corporation, which would result in reducing the Corporation's ability to offer its customers alternative solutions to these large groups. This risk has existed for several years and have not materialized yet, and the focus of BRANCHEZ-VOUS! on some specific markets (French-language sites, Québec and some vertical content categories) mitigates this risk.

Dependence on main clients

In 2007, two clients represented 42 % of the revenues of the Corporation. A change in these clients' strategy or in their preferences in terms of media buying could impact the Corporation's revenues. However, the main clients advertising are media agencies, which represent several advertisers. The probability that they may suddenly stop to do business with the Corporation for all of their clients is limited.

Dependence on main represented sites

The majority 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 sites, sites belonging wholly or partly to a company represented 16% of all revenues of the Corporation in 2007. Arriving and departing represented sites in the BRANCHEZ-VOUS! Network 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. In the past few months, BRANCHEZ-VOUS! have both increased and diversified the sites it represent, so as to be less dependent on one particular publisher, and have acquired several web sites, so as to be less dependent on third-party publishers.

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 very high volatility.

Number of outstanding shares

As at December 31, 2007, 29,375,117 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

Chief Financial Officer