



## BV! Media Inc.

### Interim Management Report

Review of the three month period ended **June 30, 2009**

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

#### Overview

BV! Media is an Internet media corporation, whose operations began in 1995. It derives almost all of its revenues from advertising, sold in text, graphical or video format on its network affiliated websites. Some of the sites it markets – including the BRANCHEZ-VOUS.com portal - belong to the Corporation; the majority of the sites that it markets belong to other publishers, who contract out all or part of their advertising sales to the Corporation and to which the Corporation pays royalties. Its headquarters are in Montreal, Québec.

#### General performance

The quarter ended June 30, 2009 (“Q2 2009”) showed encouraging results. Revenues reached approximately \$3 million for the first time. Adjusted EBITDA reached almost \$250,000, or more than three times adjusted EBITDA of the three-month period ended June 30, 2008 (“Q2 2008”) and of the three-month period ended March 31, 2009 (“Q1 2009”). Net earnings, at \$86,000, are modest but still satisfactory given the difficult economic environment in which we operate.

Figures in \$.

As at:	June 30, 2009	June 30, 2008	Dec. 31, 2008
<b>Total assets</b>	<b>9,237,258</b>	3,145,869	9,444,930
<b>Long term financial liabilities</b>	<b>483,326</b>	0	991,204
<b>Shareholders equity</b>	<b>6,419,004</b>	2,285,985	6,348,364

#### Results

##### Horizontal analysis

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

Figures in \$.

	Q2 2009	Change / Q2 2008	Change / Q1 2009	1 <sup>st</sup> six months of 2009	Change / 1 <sup>st</sup> six months of 2008
	\$	%	%	\$	%
<b>Revenues</b>	<b>2,985,739</b>	+133%	+21%	<b>5,459,649</b>	+146%
Cost of sales	1,508,845	+185%	+24%	2,727,422	+186%
Gross profit	1,476,894	+97%	+18%	2,732,227	+117%
Operating expenses	1,357,624	+70%	+1%	2,700,449	+105%
<b>Net earnings</b>	<b>85,915</b>	-	-	<b>21,959</b>	-
EBITDA*	226,794	+255%	+444%	268,495	+271%
<b>Adjusted EBITDA*</b>	<b>245,885</b>	-	-	<b>317,175</b>	+194%
Earnings per share	0.00	+201%	+245%	0.00	-

\* EBITDA is defined as earnings before interest, income taxes, depreciation and, amortization, impairment of intangible assets, and impairment or loss on sale of investments and fixed assets. Adjusted EBITDA is defined as EBITDA to which the Corporation adds stock-based compensation, as this expense does not result in any use of operating cash flows by the Corporation. EBITDA and Adjusted EBITDA are provided as a supplementary earnings measures to assist readers in determining the ability of the Corporation to generate cash from operations and to cover financial charges. They are also widely used for business valuation purposes. These measures do not have a standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies.

## Vertical analysis

Share of main items in the consolidated statement of earnings and comprehensive income, as a proportion of revenues

	Q2 2009	Q2 2008	Q1 2009	1 <sup>st</sup> six months of 2009	1 <sup>st</sup> six months of 2008
<b>Revenues</b>	<b>100%</b>	100%	100%	<b>100%</b>	100%
Cost of sales	<b>51%</b>	41%	49%	<b>50%</b>	43%
Gross profit	<b>49%</b>	59%	51%	<b>50%</b>	57%
Operating expenses	<b>45%</b>	62%	54%	<b>49%</b>	60%
<b>Net earnings</b>	<b>3%</b>	-1%	-3%	<b>0%</b>	-1%
EBITDA	<b>8%</b>	5%	2%	<b>5%</b>	4%
<b>Adjusted EBITDA</b>	<b>8%</b>	6%	3%	<b>6%</b>	5%

## Revenues

The increase in revenues from Q2 2008 to Q2 2009 and from the six months ended June 30, 2008 to the six months ended June 30, 2009 is due to the acquisition of NetWorldMedia as at October 31, 2008.

The increase from Q1 to Q2 2009 is due to increasing advertising sales.

## Cost of sales

Cost of sales consists of royalties paid to other publishers' sites represented by the Corporation. The increase in cost of sales from Q2 2008 to Q2 2009 and from the six months ended June 30, 2008 to the six months ended June 30, 2009 has been faster than the increase of sales, because all sales derived from the NetWorldMedia acquisition were on represented web sites. Consequently, sales on proprietary sites, for which no royalty is paid to a third party, have decreased as a proportion of sales and cost of sales has increased as a proportion of sales. The increase from Q1 to Q2 2009 is roughly proportionate to increased revenues.

## Gross profit

The increase in gross profit from Q2 2008 to Q2 2009, from Q1 2009 to Q2 2009 and from the six months ended June 30, 2008 ("H1 2008") to the six months ended June 30, 2009 ("H1 2009") is due to an increase in sales.

## Operating expenses

Operating expenses include sales and administration related expenses and content expenses for proprietary sites. The increase in operating expenses from Q2 2008 to Q2 2009 and from the six months ended June 30, 2008 to the six months ended June 30, 2009 is mostly due to an increase in salaries, with the size of the Corporation's workforce having more than doubled as a result of the NetWorldMedia acquisition.

As a proportion of sales, operating expenses were lower in 2009 than in 2008 because the NetWorldMedia acquisition didn't double fixed administration, operating and content costs.

## Profit, EBITDA and Adjusted EBITDA

The positive net earnings in Q2 2009, as compared to a net loss in both Q2 2008 and Q1 2009, is due to an increase in revenue and gross profit.

The increase in EBITDA and Adjusted EBITDA from Q2 2008 to Q2 2009 and from Q1 2009 to Q2 2009 is also due to an increase in revenue and gross profit.

## Quarterly information

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

	2009		2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Revenues</b>	2,986	2,473	2,492	1,007	1,281	950	1,033	1,053
Gross profit	1,477	1,255	1,213	617	751	527	561	578
<b>Net earnings (loss)</b>	86	(64)	(233)	(56)	(18)	(8)	28	29
Basic and fully diluted earnings per share	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00
EBITDA	227	42	147	(11)	65	9	49	39
<b>Adjusted EBITDA</b>	246	71	165	1	83	26	67	55

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.

## Reconciliation of adjusted EBITDA

Figures in thousand \$.

	2009		2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Net earnings (loss)</b>	86	(64)	(233)	(56)	(18)	(8)	28	29
Interest	1	1	2	-	-	-	-	-
Current income taxes	33	-	(33)	-	-	-	-	-
Future income taxes	-	(24)	(242)	-	-	-	-	-
Depreciation and amortization	107	107	123	45	50	17	21	10
Impairment of intangible assets (1)	-	-	530	-	33	-	-	-
Loss on disposal of fixed assets	-	22	-	-	-	-	-	-
Loss (gain) on disposal of investment	-	(1)	-	-	-	-	-	-
<b>EBITDA</b>	227	41	147	(11)	65	9	49	39
Stock-based compensation	19	30	18	12	18	17	17	16
<b>Adjusted EBITDA</b>	246	71	165	1	83	26	67	55

- (1) Trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment test consists of a comparison of the fair value of the Trademark with its carrying amount. When the carrying amount of the Trademark exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The fair value is calculated based on evaluations of discounted cash flows.

## Liquidity and financial resources

### Cash flows

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

	Q2 2009	Q2 2008	Change / Q2 2008	H1 2009	H1 2008	Change / H1 2008
	\$	\$	%	\$	\$	%
<b>Cash flows from:</b>						
Operating activities	(177)	(274)	-	137	(36)	-
Financing activities	1	37	-98%	(155)	37	-
Investment activities	(33)	52	-	29	201	-85%

**Operating activities** used \$176,888 in Q2 2009. This is due to net change in non-cash working capital items.

**Financing activities** used \$155,296 in H1 2009, due to the reimbursement of advances from shareholders in Q1 2009.

**Investment activities** provided \$29,444 in H1 2009, due to the disposal of short-term financial investments in Q1 2009.

### Financial resources

As at June 30, 2009:

- BV! Media held \$92,692 in **cash and cash equivalents**, to be compared with \$81,410 as at December 31, 2008; and
- BV! Media held \$200,000 in **short-term investments** to be compared to \$ 300,000 as at December 31, 2008.

Management estimates that the combination of cash and cash equivalents, short-term investments and a line of credit of \$700,000 backed by accounts receivable is sufficient to finance its operations.

### Contractual obligations

Contractual obligations totalled \$679,108 as at June 30, 2009. These obligations were mostly for various technical and representation services agreements. From this total, \$388,208 were obligations for 2009, \$258,512 for 2010, \$30,305 for 2011 and \$2,083 for 2012.

### Other information

#### Non-cash transactions

The Corporation signed several promotional agreements with other media and event organizers, for a cumulative amount of \$44,546 in revenues and \$54,748 in expenses in Q2 2009, compared to \$8,118 in both revenues and expenses in Q2 2008. In Q2 2009, the \$10,202 difference between expenses and revenues is due to the fact that the Corporation had not used part of the value of one of its exchange contracts with a third party while it had already delivered the full value in Q1 2009. In Q2 2008, the same amount was registered in revenues and expenses, corresponding to non-cash transactions.

## Information to shareholders

### **Shareholders' equity**

Shareholders' equity was \$ 6,419,004 as at June 30, 2009, compared to \$6,348,364 as at December 31, 2008. The increase is due to the net earnings registered in Q2 2009.

### **Number of shares**

As at June 30, 2009, the Corporation had 60,411,015 issued and outstanding common shares.

### **Risks and uncertainties**

The Corporation's risks and uncertainties have not materially changed from those described in the Corporation's 2008 Annual report.

### **Outlook**

While the economic outlook remains cloudy and there is uncertainty as to the timing of a possible rebound in advertiser spending, management expects to continue to report positive Adjusted EBITDA in the following quarters.

Additional information on the Corporation can be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)).

### ***Forward looking statement***

*Some statements made in this quarterly 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 the Internet business model, competition, financial markets, access to capital, and changes in the general and sectoral economic development.*

**August 26, 2009**

(Signed)

**Patrick Pierra**

Co-President and Chief Executive Officer

(Signed)

**Athanasios Vorias**

Chief Financial Officer