



March 22, 2001

For immediate release

Page 1 of 3

## **Netgraphe Inc. announces 3rd quarter results: revenue growth continues and operating revenues increase**

**Montreal, Quebec** - Netgraphe Inc. announced operating revenues of \$11 million for the nine-month period ended February 28, 2001. Of that amount, \$4.9 million or 45% was realized during the quarter ended February 28, 2001, reflecting an upward trend despite the seasonal slowdown in Internet advertising during the period of December 2000 through February 2001.

The increase in revenues was due in part to the contributions of computer services operations Progisia informatique Inc. and Force informatique Inc., which totalled \$1.8 million for the quarter ended February 28, 2001 and \$3.1 million for the five-month period beginning September 27, 2000, the date on which the companies were acquired by Netgraphe Inc.. In addition, the operating revenues of Jobboom Inc., an employment recruiting publisher and e-commerce provider, and of Netgraphe Inc.'s other Internet operations also increased substantially in the last quarter. In all, the operating revenues generated by those operations accounted for nearly 40% of Netgraphe Inc.'s operating revenues for the last nine-month period.

Operating expenses for the quarter and for the nine-month period ended February 28, 2001 totalled \$5.4 million and \$15.8 million respectively, including \$1.7 million and \$3 million respectively for the operating expenses of the companies acquired on September 27, 2000, and \$0.6 million and \$1 million respectively in non-recurring expenses related to the operating cost containment process launched at the beginning of 2001. These results indicate a sharp drop in expenses during the last quarter. The 3rd quarter accounts for only 27% of the total expenses incurred during the last nine-months.

The Company is therefore demonstrating continued revenue growth combined with reduced operating costs. The loss before amortization of consolidated goodwill was \$0.01 per share for the quarter and \$0.07 per share for the nine-month period ended February 28, 2001.

Several significant events of the last quarter will support the Company's continued growth and development over the coming months and years. First, on December 21, 2000, Netgraphe Inc. signed a \$10 million financing agreement with its principal shareholders. That transaction, which is reflected primarily in shareholders' equity for the quarter in the amount of \$7.2 million, placed Netgraphe Inc.'s finances on a firm footing.

On March 2, 2001, the Company accepted a revised proposal from Quebecor Media Inc. to consolidate Netgraphe Inc. and the CANOE Internet network, which includes the portals canoe.ca in English Canada, canoe.qc.ca in French Canada, canoe.fr in France and micanoa.es in Spain; the specialty sites autonet.ca for auto sales, reseaucontact.com and matchcontact.com for dating, shop.canoe for online shopping, classesextra.ca and classifiedextra.ca for online classifieds; and eight city sites, including icimontreal.com and iciquebec.com.

The merger of the Netgraphe Inc. and CANOE networks will spur Netgraphe Inc.'s expansion from its regional base in Quebec into a much deeper national market with vast e-commerce potential supported by a population of 30 million. The combined company will be strongly positioned in both Quebec and English Canada. It will boast a strengthened human resources base, diversified revenue sources, greater critical mass and a broader market, enabling Netgraphe Inc. to optimize the use of its resources and promote the development of its portals and specialty sites. As part of the Quebecor group's core Internet operation, Netgraphe Inc. will enjoy access to many new sources of content, close collaboration with blue-chip sister companies and a leading position in one of Canada's foremost integrated media groups.

This transaction is subject to various conditions including approval by shareholders.

#### **ABOUT NETGRAPHE**

Netgraphe is an Internet editor that creates, acquires and manages high-traffic Web sites. It focuses on business opportunities in the Internet sector in Quebec and in French-speaking countries, providing content distribution, advertising, e-commerce and other services such as Web-site integration, design, production and management.

Netgraphe operates the following portals and Web sites: La Toile du Quebec (toile.com), InfiniT.com, Jobboom.com, Webfin.com, Multimediam.com, and Megagiciel.com. Netgraphe is listed on the Toronto stock market under the trading symbol WWW.

#### **ABOUT CANOE**

Since its launch in 1996, the CANOE network has been a leader in Canada's new media industry.

The products on CANOE's English-language network include SLAM! Sports, JAM! Showbiz, Canoe Money, CNEWS, C-Health, AUTONET.CA, Lifewise, and Classified Extra.

The products on CANOE's French-Language network include Topo Info, Chrono Sports, Ratio Finance, Tempo Arts et spectacles, Art de vivre, Maison Passion, Ados, AUTONET.CA/francais, Classées Extra, Réseau Contact and Viasite emploi.

CANOE offers a variety of other services such as SHOP.CANOE.CA, a unique on-line shopping site, site personalization services, free e-mail, weather, lotteries and more.

The destinations [www.canoe.ca](http://www.canoe.ca) and [www.canoe.qc.ca](http://www.canoe.qc.ca) host the on-line versions of Sun Media newspapers and eight City Sites carrying local news and community-focused content (FYI in English and ICI in French).

The CANOE network also includes a site in France at the address [www.canoe.fr](http://www.canoe.fr), which was launched in September 2000, and a site in Spain at the address [www.micanoa.com](http://www.micanoa.com), launched in December 2000.

Hugues Simard  
President and CEO  
**NETGRAPHE INC.**

Telephone: (514) 847-9155  
Fax: (514) 847-9151  
E-mail: [hugues.simard@netgraphe.com](mailto:hugues.simard@netgraphe.com)



**NETGRAPHE INC.**

**QUARTERLY REPORT  
FISCAL YEAR 2001**

**Third Quarter  
December 1<sup>st</sup> 2000 - February 28<sup>th</sup> 2001**

## Consolidated Earnings

(unaudited)

	For the periods of three months ended		For the period of nine months ended	For the period of six months ended
	February 28 2001	February 29 2000	February 28 2001	February 29* 2000
	\$	\$	\$	\$
<b>Revenue</b>	<b>4 863 738</b>	1 025 995	<b>10 961 629</b>	1 288 993
Operating, selling and administrative expenses	5 404 013	2 184 200	15 762 079	3 055 627
Operating loss before financial charges, depreciation and other items	(540 275)	(1 158 205)	(4 800 450)	(1 766 634)
Financial charges	72 332	5 765	6 023	5 765
Depreciation	415 701	292 199	1 214 725	494 250
	<b>488 033</b>	297 964	<b>1 220 748</b>	500 015
Loss before income taxes, non-controlling interest and amortization of goodwill	(1 028 308)	(1 456 169)	(6 021 198)	(2 266 649)
Income taxes	12 146	(3 293)	14 902	(3 293)
Non-controlling interest		(72 843)		(72 843)
Loss before amortization of goodwill	(1 040 454)	(1 380 033)	(6 036 100)	(2 190 513)
Amortization of goodwill	2 667 328	1 920 150	7 691 902	1 920 150
<b>Net loss</b>	<b>(3 707 782)</b>	(3 300 183)	<b>(13 728 002)</b>	(4 110 663)
Amounts per share				
Loss before amortization of goodwill	(0,01)	(0,02)	(0,07)	(0,03)
Net loss	(0,04)	(0,04)	(0,16)	(0,06)
Weighted average number of common shares outstanding	85 317 835	79 014 718	84 908 108	63 630 004

## Consolidated Deficit

(unaudited)

	For the period of nine months ended	For the period of six months ended
	February 28 2001	February 29 2000
	\$	\$
Deficit, beginning of period	10 355 219	
Net loss	13 728 002	4 110 663
Interest on equity element of convertible debentures	128 000	
Capital stock issue fees		287 660
Deficit, end of period	<b>24 211 221</b>	4 398 323

\* As at december 13th 1999, Netgraphe inc. finalized a reverse takeover of the Company by InfiniT. This transaction has been accounted for by the purchase method. Figures presented prior to this date are those of InfiniT since his creation date, september 1st, 1999.

## Consolidated Balance Sheet

	(unaudited)	(audited)
	February 28 2001	May 31 2000
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	7 961 540	7 297 978
Short term investment	1 000 000	
Accounts receivable	6 179 494	2 959 326
Work in progress and prepaid expenses	430 774	103 936
	<b>15 571 808</b>	<b>10 361 240</b>
Fixed assets	4 699 821	4 056 460
Other assets	62 812 427	64 069 334
	<b>83 084 056</b>	<b>78 487 034</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	3 500 294	2 498 706
Deferred revenues	687 084	311 115
	<b>4 187 378</b>	<b>2 809 821</b>
<b>LONG TERM DEBT</b> (note 2)	<b>2 929 750</b>	
<b>SHAREHOLDERS' EQUITY</b>		
Equity element of convertible debentures	7 190 000	
Capital stock	89 197 483	82 241 766
Contributed surplus	3 790 666	3 790 666
Deficit	(24 211 221)	(10 355 219)
	<b>75 966 928</b>	<b>75 677 213</b>
	<b>83 084 056</b>	<b>78 487 034</b>

## Consolidated Cash Flows

(unaudited)

	For the period of three months ended	For the period of nine months ended	For the period of six months ended
	February 28 2001	February 28 2001	February 29 2000
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss	(3 707 782)	(13 728 002)	(4 110 663)
Non-cash items			
Depreciation	415 701	1 214 725	494 250
Non-controlling interest			(72 843)
Loss on disposition of fixed assets	218	15 632	
Write-off of fixed assets			10 170
Amortization of goodwill	2 667 328	7 691 902	1 920 150
Interest payment on convertible debentures	(8 250)	(8 250)	
Cash flows from current operations	(632 785)	(4 813 993)	(1 758 936)
Changes in non-cash working capital items			
Accounts receivable	(872 506)	(1 870 251)	(401 295)
Work in progress and prepaid expenses	134 489	(131 180)	9 361
Accounts payable and accrued liabilities	(780 570)	(543 194)	(933 461)
Deferred revenues	198 753	375 970	44 822
Cash flows from operating activities	(1 952 619)	(6 982 648)	(3 039 509)
<b>INVESTING ACTIVITIES</b>			
Acquisition of fixed assets	(288 260)	(1 838 565)	(377 446)
Disposition of fixed assets	6 160	64 671	
Acquisition of investment		(1 000 000)	
Business acquisitions, net of cash acquired	(51 173)	(35 609)	2 860 314
Cash flows from investing activities	(333 273)	(2 809 503)	2 482 868
<b>FINANCING ACTIVITIES</b>			
Additional financing	10 500 000	10 500 000	
Repayment of long-term debt	(500 000)	(500 000)	
Issuance of capital stock	148 855	455 713	12 081 913
Advance from a shareholder of the parent company			988 959
Charges related to business acquisitions			(287 494)
Cash flows from financing activities	10 148 855	10 455 713	12 783 378
<b>Net increase in cash and cash equivalents</b>	<b>7 862 963</b>	<b>663 562</b>	<b>12 226 737</b>
Cash and cash equivalents, beginning of period	98 577	7 297 978	
Cash and cash equivalents, end of period	7 961 540	7 961 540	12 226 737
Cash flows from current operations per share (in dollars)	(0,01)	(0,06)	(0,02)

---

## Note to Consolidated Financial Statements

---

### **1 - CHANGES IN ACCOUNTING POLICIES**

Effective June 1, 2000, the Company adopted new accounting recommendations related to income taxes.

Under this new accounting standard, future tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The new accounting standard requires that the recording of future tax assets meet certain realisation criteria. Where the criteria for realisation are not met, a valuation allowance is recorded to offset the future tax asset. When circumstances change and the realisation criteria are met, the valuation allowance is appropriately adjusted to record the previously unrecognised future tax asset.

The Company has determined that the realisation of its net future income tax asset arising from income tax loss carryforwards and temporary differences related to fixed assets does not currently meet the criteria of realisation under the new standard. Therefore, a valuation allowance has been recorded against this future income tax asset at August 31, 2000. Financial statements from last year have not been restated to apply the new accounting standard. Application of this standard has not had a significant effect on the Company's financial position or on the results of its operations for the current or previous year.

---

### **2 - LONG TERM DEBT**

Debentures with a face value of \$10 million issued to parent corporation 9085-3011 Quebec inc, convertible at the holder's option into common shares of the Company at a conversion price of \$2.07 per common share, secured by a movable hypothec of all assets of the Company, bearing interest at a rate of 8%, falling due on November 30, 2007.

The Company's convertible debentures contain both debt and equity components.

---

### **3 - Contingency**

The Company is disputing the validity of its lease with the Société de développement de Montréal ("SDM") for premises at the Cité du multimédia. The Company has received a formal notice claiming damages in the amount of \$995,178 from the SDM in respect of the cancellation of the lease, giving rise to a legal dispute between the parties concerning a \$1 million letter of credit issued by the Company to the SDM in connection with the lease. Unless the Company occupies premises located in the Cité du multimédia, the outcome of the litigation will have an impact on the Company's eligibility to receive accumulated tax credits totalling \$1,239,669 and its eligibility for future tax credits under the Cité du multimédia program.

---