



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED
December 31, 2006**

HEALTHCARE SOLUTIONS



Management's Discussion and Analysis

For the quarter ended December 31, 2006

Management's discussion and analysis (the "**MD&A**") of Logibec Groupe Informatique Ltd.'s ("**Logibec**" or the "**Company**") operating results and changes in financial position for the three-month period ended December 31, 2006, as well as the Company's financial position on this date, should be read in conjunction with the consolidated financial statements and the related notes for the same fiscal year.

Management has presented certain non-**GAAP** (Generally accepted accounting principles) measures in this MD&A. Although earnings before interest, taxes, depreciation and amortization ("**EBITDA**") are not a performance measure defined by Canadian GAAP, management, investors and analysts use this measure to evaluate the operating and financial performance of the Company. Moreover, the Company's definition of EBITDA may differ from the one used by other companies. EBITDA is reconciled with net income—a performance measure defined by Canadian GAAP—in the table of selected annual information included in this MD&A.

This report is dated February 12, 2007. All monetary amounts are expressed in Canadian dollars.

■ Profile

Logibec is among the ten largest Canadian companies specializing in the development, marketing, implementation and support of information systems for the health and social services sector. Logibec serves over 200 clients throughout Quebec and the rest of Canada. Since completing its acquisition of MDI Technologies, Inc. ("**MDI**"), in June 2005, and Monette Information Systems Corporation ("**Monette**"), in March 2006, Logibec also serves over 750 clients representing approximately 1,800 facilities throughout the United States. Logibec's services are delivered by an experienced team of approximately 250 employees as at December 31, 2006. The Company has its head office in Montreal as well as offices in Quebec City, Edmonton, St. Louis, Missouri, and Smithfield, Virginia.

MISSION STATEMENT

Our mission is to assist organizations in the health and social services sector by offering professional services and powerful and scalable solutions for managing administrative, patient and clinical information.

Our primary objective is to provide superior quality customer support and to constantly upgrade our products by drawing on the expertise and quality of our human resources and making optimal use of information technologies. In the context of the regionalization of the healthcare sector in Canada and the constantly evolving post-acute healthcare sector in the United States, our commitment to our clients is demonstrated by flexibility that enables us to anticipate and quickly respond to their new IT requirements. We have the willingness and the ability to adapt our business practices, our service offering and our product offering in order to facilitate the significant transformation of healthcare services that our customers are experiencing.

In so doing, we hope to **CREATE VALUE** for our customers, employees and shareholders and become the leading Canadian supplier in our industry.

■ Restatement of 2005 consolidated financial statements

As a result of an evolution in the interpretation of the accounting principles stated in EIC-142 *Revenue Arrangements with Multiple Deliverables* issued by the CICA, the Company has restated the accounting treatment of certain revenue elements related to arrangements with multiple deliverables.

Arrangements with multiple deliverables in Canada

Prior to the fourth quarter of fiscal year 2006, the Company recognized revenue from professional services provided for the implementation of its Canadian software products upon delivery of these services. In the course of preparing the 2006 consolidated financial statements, it was determined that the services related to certain software products did not have value for the client on a stand-alone basis and therefore could not be accounted for separately from the rights of use granted to the customer under the terms of the agreements with customers. In such cases, the Company recognizes revenue from professional services on a straight-line basis over the initial term of the related agreements.

Arrangements with multiple deliverables in the United States

Also prior to the fourth quarter of fiscal year 2006, the Company recognized revenue from perpetual software licenses sold by MDI upon delivery of the software products. In the course of preparing the 2006 consolidated financial statements, it was determined that in order to retain the right to use the software, the support and maintenance service fees were not optional. Consequently, the Company must recognize revenue from perpetual software licenses on a straight-line basis over the initial term of the related agreements, which is generally five years.

Accordingly, the Company has restated its retained earnings as at September 30, 2004 as well as its financial statements for the year ended September 30, 2005. The impact of this restatement on the consolidated statements of earnings and consolidated balance sheets is presented in the tables below. The impact of this restatement on the consolidated balance sheet is presented in note 1 to the consolidated financial statements. The restatement has no impact on cash flows from operating activities. The relevant amounts of fiscal year 2005 that are included in this MD&A were restated to reflect the above-mentioned restatement principles.

Reconciliation of Selected Quarterly Financial Data (Restated)

(Quarterly data is unaudited)

<i>thousands of dollars</i>	Fiscal year ended Sept. 30, 2005				Fiscal year ended Sept. 30, 2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
Revenue previously reported	6,967	8,165	7,293	9,394	10,350	10,790	11,641	10,469
Adjustment	(390)	(331)	(740)	(674)	(921)	(1,187)	(386)	
As restated	6,577	7,834	6,553	8,720	9,429	9,603	11,255	10,469
Net earnings previously reported	1,007	1,328	1,099	1,091	1,635	1,805	1,736	2,088
Adjustment	(169)	(131)	(293)	(370)	(244)	(334)	16	
As restated	838	1,197	806	721	1,391	1,471	1,752	2,088

* Q4 of fiscal year 2006 is not a restatement. However it is included in the table to reflect the impact of the appropriate application of generally accepted accounting principles as discussed earlier.

■ Selected Financial Information

The table below presents selected information regarding Logibec's operating results and cash flow for the fiscal quarters ended December 31, 2005 and 2006 as well as the financial position as at September 30, 2006 and December 31, 2006.

In thousands of dollars except per share amounts

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2005
OPERATING RESULTS		
Revenue	9,970	9,429
EBITDA, <i>see calculation below</i>	4,056	3,494
Net earnings	1,671	1,392
EBITDA per share	0.45	0.39
Net earnings per share	0.19	0.16
<hr/>		
Reconciliation of EBITDA and net earnings		
Net earnings	1,671	1,392
Interest on indebtedness	11	192
Other interest (revenue)	(24)	(15)
Income tax	840	429
Depreciation of property, plant and equipment	267	271
Amortization of intangible assets and other long-term assets	1,291	1,225
EBITDA	4,056	3,494
Investment in technology, net of tax credits	458	475
	December 31, 2006	September 30, 2006
FINANCIAL POSITION		
Cash and cash equivalents	424	3,098
Total assets	69,343	72,360
Indebtedness	–	–
Shareholders' equity	40,935	37,933
- per common share	4.58	4.25
Working capital	(7,503)	(9,975)
Working capital ratio	0.52	0.53
Common shares outstanding, <i>weighted average, basic</i>	8,931,724	8,976,322
Common shares outstanding	8,990,432	8,931,724

HIGHLIGHTS

- Revenue up 6% for the first quarter ended December 31, 2006, to stand at \$10.0 million compared to \$9.4 million for the same period in the previous fiscal year.
- Net earnings of \$1.7 million, up 20% for the quarter, or \$0.19 per share, compared to net earnings of \$1.4 million, or \$0.16 per share (\$0.15 per fully-diluted share).
- Recurring revenue for the quarter up 10% to \$8.8 million or 88% of total revenue.
- Operating margin increased to 40% of total revenue, compared to 37% of total revenue for the same period in the previous fiscal year.
- Net margin increased to 17% of total revenue, compared to 15% of total revenue for the same period in the previous fiscal year.

■ Operating Results

This report compares the operating results for the quarter ended December 31, 2006, with those of the quarter ended December 31, 2005 (restated).

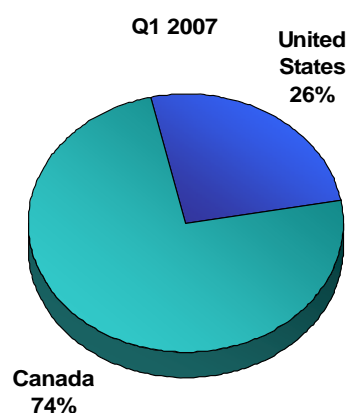
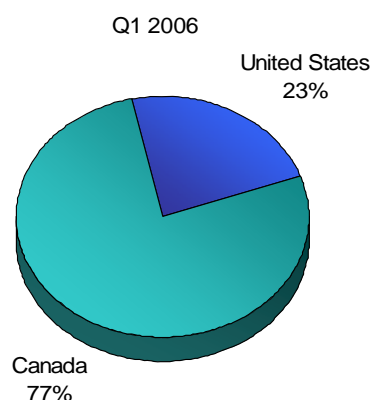
REVENUE

Revenue for the first quarter of fiscal year 2007 stood at \$10.0 million, an increase of 6%, compared to \$9.4 million for the same period in the previous fiscal year.

Geographical Revenue Breakdown

(in thousands of Canadian dollars)

	Q1 2006	Q1 2007	Variation	Growth
Canada	7,290	7,407	117	2%
United States	2,139	2,563	424	20%
Consolidated Revenue	9,429	9,970	541	6%



Revenue from Canadian activities

The increase in revenue is due to growth of \$0.5 million in recurring revenue, representing an 8% increase. Growth in recurring revenue was derived from an increase, net of discounts, in annual rights of use and maintenance revenue for our software packages marketed in Canada and from an increased contribution from the professional services revenue that was deferred in prior periods.

As at December 31, 2006, the Company had \$1.9 million in current deferred professional services revenue and \$3.6 million in long-term deferred professional services revenue in accordance with its revenue recognition policy based on EIC-142. This revenue as well as the related costs will be recognized over the average term of the related agreements which is generally three years.

Non-recurring revenue decreased 25%, or \$0.4 million compared to the first quarter of the previous year. This is explained by a decrease in hardware and operating software sales due to an abnormally high volume of these sales in the same quarter of the previous year. Fiscal year 2006 was an exceptional year for these sales since several customers upgraded their computer equipment. Management believes that these sales will return to a more normal level in 2007 and the results of the first quarter meet expectations.

Revenue from American activities

The increase in revenue is mainly due to growth of \$0.3 million in recurring revenue, representing an increase of 15% and resulting from the contribution of Monette's activities as well as from the contribution from software license revenue that was deferred in prior periods. As at December 31, 2006, the Company had \$1.8 million in current deferred software license revenue and \$1.7 million in long-term deferred software license revenue in accordance with its revenue recognition policy based on EIC-142. This revenue, as well as the related costs, which are commissions granted to sales representatives and agents, are recognized over the average term of the related agreements, which is generally five years.

OPERATING INCOME

Operating income before depreciation, amortization, income from temporary investments, financial expenses and taxes for the quarter ended December 31, 2006 stood at \$4.0 million, representing an increase of \$0.5 million or 15% over the same period last year.

OPERATING EXPENSES

Operating expenses for the quarter, which are composed of service costs and selling and administrative expenses, stood at \$5.9 million, being at the same level as the expenses recorded during the same period in the previous fiscal year.

Service costs. Service costs increased by \$0.5 million or 15%. The variance in service costs is presented in the following table:

Service Costs				Service Costs / Revenue		
(in thousands of Canadian dollars)						
	Q1 2006	Q1 2007	Variation		Q1 2006	Q1 2007
Canada	2,977	3,107	130	Canada	41%	42%
United States	630	1,035	405	United States	29%	40%
Consolidated Service Costs	3,607	4,142	535	Consolidated	38%	42%

Canadian service costs increased by 4% for the first quarter of 2006 compared to the same period in the previous year. This change results from two factors that had opposite effects on this item: a decrease in hardware purchased for resale and an increase in salaries. The significant increase of 64% in the service costs for American activities is attributable to the contribution of Monette's activities.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$1.8 million or 18% of revenue for the quarter, compared to \$2.3 million or 25% of revenue for the same period last year. The decrease of \$0.5 million is explained by the decrease in administrative expenses at MDI, namely expenses related to management agreements with previous officers, which ended on December 31, 2005.

Stock-based compensation. The expense for stock-based compensation was \$29,648 for the quarter.

AMORTIZATION OF FIXED ASSETS, INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS

Amortization of fixed assets, intangible assets and other long-term assets for the quarter ended December 31, 2006 rose to \$1.6 million, representing an increase of 4% compared to the same period in the previous fiscal year. This increase is mainly due to the amortization of the software and technology acquired from Monette.

FINANCIAL EXPENSES

Financial expenses decreased by \$0.2 million, representing a decrease of 110% compared to financial expenses for the same period last year. Financial expenses for the first quarter of 2006 were composed of interest charges related to the credit facilities obtained to finance the takeover bid for MDI and the subsequent merger. During the quarter, the Company did not draw on its credit facilities which remained unused.

NET EARNINGS

Net earnings for the first quarter ended December 31, 2006 increased by 20% to \$1.7 million or \$0.19 per share. This compares to \$1.4 million or \$0.16 per share (\$0.15 per fully-diluted share), for the same period in the prior year. This increase in net earnings results from the improvement in profitability for our American activities as well as the profitable growth of the Company's Canadian activities, despite a context that continues to be highly competitive.

■ Summary of Quarterly Results (as restated)

A summary of the consolidated financial data drawn from the unaudited interim consolidated financial statements for the last eight quarters is shown below.

	2005			2006				2007
<i>thousands of dollars</i>	Q2	Q3	Q4	Q1	Q2	Q3	Q4*	Q1
Revenue	7,834	6,553	8,720	9,429	9,603	11,255	10,469	9,970
Operating Expenses								
Service costs	3,446	3,281	3,300	3,607	3,824	4,702	4,135	4,142
Selling and administrative expenses	1,348	877	2,177	2,240	1,949	2,075	2,039	1,767
Stock-based compensation	–	70	108	89	89	30	29	30
	4,794	4,228	5,585	5,936	5,862	6,807	6,203	5,939
Operating Earnings	3,040	2,325	3,135	3,493	3,741	4,448	4,266	4,031
Amortization	1,278	1,070	1,733	1,496	1,528	1,592	1,611	1,558
Loss on disposition of fixed assets	–	–	–	–	18	18	–	4
Income on temporary investments	(5)	(13)	(6)	(15)	(27)	(25)	(33)	(24)
Financial expenses	62	156	223	192	195	184	74	(19)
Earnings before Income Tax	1,705	1,112	1,184	1,820	2,027	2,679	2,614	2,511
Income tax	508	306	463	429	556	928	526	840
Net Earnings	1,197	806	721	1,391	1,471	1,751	2,088	1,671
Net Earnings per Share								
Basic	0.16	0.11	0.09	0.16	0.16	0.19	0.24	0.19
Diluted	0.16	0.10	0.08	0.15	0.16	0.19	0.24	0.19

* Not a restatement. However it is included in the table to reflect the impact of the appropriate application of generally accepted accounting principles as discussed earlier.

■ Liquidity and Sources of Financing

OPERATING ACTIVITIES

For the first quarter ended December 31, 2006, operating activities used cash flows of \$2.0 million, whereas these activities, for the same period in the prior fiscal year, generated cash flows of \$0.4 million. This significant decrease is mainly explained by the change in non-cash working capital items.

INVESTING ACTIVITIES

The Company used \$0.7 million in cash for investing activities during the quarter ended December 31, 2006. Of this amount, \$0.5 million corresponds to capitalized software development costs. The difference, \$0.2 million, was used for capital expenditures for the Canadian and American operations.

FINANCING ACTIVITIES

There were no financing activities during the first quarter of 2007.

■ Obligations and Commitments

The Company's contractual obligations and commitments comprise mainly the leases for its office spaces situated at Cité du Multimédia and the CNNTQ in Québec City, for its office space for MDI in St. Louis, Missouri, and for Monette in Smithfield, Virginia. Leases for the head office space in Montreal have been renewed until December 2012 in order for the Company to take advantage of tax credits offered by the Cité du Multimédia for the full period of eligibility. In August 2004, the lease for MDI's office space was renewed until December 2010. Finally, MDI signed a new lease ending in 2010 for its Smithfield, Virginia office space.

■ Related Party Transactions

During the third quarter ended December 31, 2006, the Company entered into the following transactions with a shareholder of a company having significant influence over the Company.

Management fees – expenses	\$ <u>126,219</u>
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These transactions were in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

■ Risks and Uncertainties

For a description of the risks to which the Company is exposed, readers are referred to Management's Discussion and Analysis for the 2006 fiscal year. This report is available on SEDAR at www.sedar.com as well as on the Company's website at www.logibec.com.

■ Accounting Policies

Readers are invited to refer to Note 2 to the consolidated financial statements for the first quarter of 2007 for a detailed description of changes in accounting policies.

■ Disclosure Controls and Procedures

Based on management's knowledge of the Company's disclosure controls and procedures, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's 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.

■ Forward-looking Statements

The MD&A contains forward-looking statements that are subject to risks and uncertainties. Any statement in this report that is not a historical fact may be considered a forward-looking statement. In this MD&A, verbs such as "believe", "consider", "expect" and other similar expressions generally indicate forward-looking statements. Forward-looking statements do not provide a guarantee of the Company's future performance nor of the performance of its industry sector. They assume known and unknown risks as well as uncertainties that may result in the Company's outlook, its performance or its actual results or those of its industry sector differing significantly from the performance or future results expressed or implied by the forward-looking statements.

■ Additional Information

The reader can obtain additional information and documents by consulting the SEDAR website at www.sedar.com as well as the Company's website at www.logibec.com.

■ Corporate Information

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STOCK

The Company's Common Shares are traded on the
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