



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE QUARTER ENDED  
December 31, 2007**

HEALTHCARE SOLUTIONS



# Management's Discussion and Analysis

For the quarter ended December 31, 2007

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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, 2007, 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.

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## ■ Profile

Logibec is among the fastest-growing North American companies specializing in the development, marketing, implementation and support of information systems for the health and social services sector. Since its acquisition of MDI Technologies, Inc. ("**MDI**"), in June 2005, Logibec has continued to expand its American activities with the recent acquisition of the assets of Achieve Healthcare Technologies and QuickCARE Software Services and is now a leader in the U.S. with a customer base of approximately 7,500 facilities. Its American activities are now managed under the name MDI Achieve ("**MDI Achieve**"). Logibec's services are delivered by an experienced team of approximately 430 employees. The Company has its head office in Montreal as well as offices in Quebec City, Edmonton, St. Louis, Minneapolis, Dallas, Tampa 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 North American supplier in our industry.

## ■ Selected Financial Information

The table below presents selected information regarding Logibec's operating results and cash flow for the fiscal quarters ended December 31, 2007 and 2006 as well as the financial position as at September 30, 2007 and December 31, 2007.

*In thousands of dollars except per share amounts*

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006 <small>(As restated; See note 1 to the consolidated financial statements)</small>
<b>OPERATING RESULTS</b>		
Revenue	13,162	9,970
EBITDA, <i>see calculation below</i>	4,188	4,056
Net earnings	1,406	1,468
EBITDA per share	0.47	0.45
Net earnings per share	0.16	0.16
<b>Reconciliation of EBITDA and net earnings</b>		
Net earnings	1,406	1,468
Interest on indebtedness	323	11
Other interest (revenue)	(37)	(24)
Income tax	599	1,043
Depreciation of property, plant and equipment	303	267
Amortization of intangible assets and other long-term assets	1,594	1,291
<b>EBITDA</b>	<b>4,188</b>	<b>4,056</b>
Investment in technology, net of tax credits	710	458
	December 31, 2007	September 30, 2007
<b>FINANCIAL POSITION</b>		
Cash and cash equivalents	2,933	6,974
Total assets	114,230	77,080
Long-term debt	17,310	6,344
Total net debt	14,377	(630)
Shareholders' equity	61,279	37,024
- per common share	6.16	4.24
Working capital	(14,388)	(7,517)
Working capital ratio	0.54	0.67
Total net debt to EBITDA (last 12 months)	0.78 : 1	n.m.
Total net debt to capitalization*	19%	n.m.
Common shares outstanding, <i>weighted average, basic</i>	8,990,081	8,843,608
Common shares outstanding	9,940,824	8,726,124

n.m. = not meaningful

\* capitalization = total net indebtedness + shareholder's equity

## ■ Highlights

- Revenue up 32% for the first quarter ended December 31, 2007, to stand at \$13.2 million compared to \$10.0 million for the same period in the previous fiscal year.
- Net earnings of \$1.4 million, or \$0.16 per share (\$0.16 per fully-diluted share), compared to net earnings of \$1.5 million, or \$0.16 per share (\$0.16 per fully-diluted share).
- Recurring revenue for the quarter up 25% to \$11.0 million or 83% of total revenue.
- Operating income up 11%, or \$4.5 million, compared to \$4.0 million for the same period in the previous fiscal year.
- Acquisitions of the assets and business activities of Achieve Healthcare Technologies L.P. ("Achieve") on November 19, 2007 and QuickCare Software Services, L.P. and QuickCare, Inc. ("QuickCARE") on January 1, 2008. The total consideration for these two acquisitions is US\$54.7 million of which US\$39.3 million was paid at closing.
- Financing of both acquisitions through a private placement of common shares in the amount of \$23.5 million and credit facilities totaling \$40.0 million.
- MDI Achieve becomes the leader in its sector with a customer base of approximately 7,500 facilities throughout the United States.

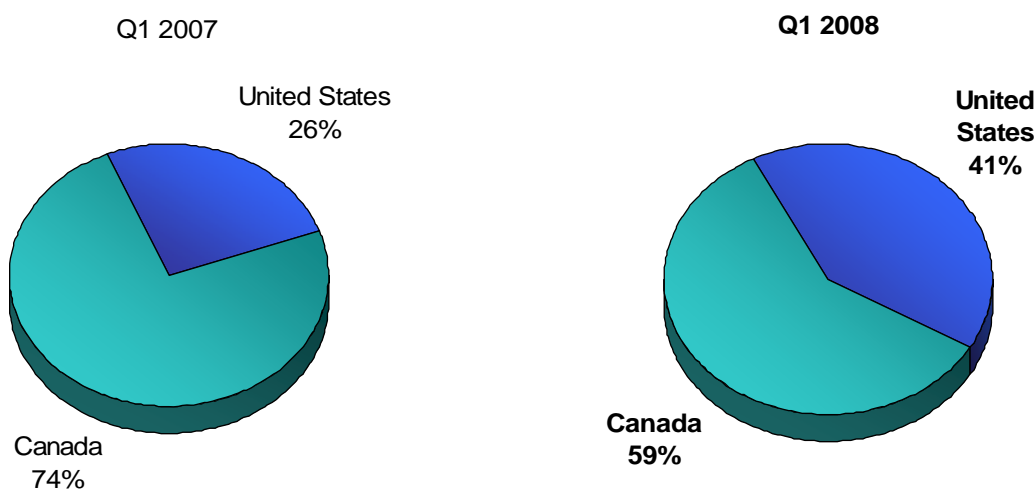
## ■ Operating Results

This report compares the operating results for the quarter ended December 31, 2007, with those of the quarter ended December 31, 2006 (restated).

### REVENUE

Revenue for the first quarter of fiscal year 2008 stood at \$13.2 million, an increase of 32%, compared to \$10.0 million for the same period in the previous fiscal year.

#### Segment Revenue



For the quarter ended December 31, 2007, revenue from American activities represented 41% of consolidated revenue compared to 26% for the same period in the previous fiscal year. This increase in revenue from the American segment is due primarily to the inclusion of the acquisitions completed over the last twelve months.

#### Revenue

(in thousands of Canadian dollars)

	Q1 2007	Q1 2008	Variance	Growth
Canada	7,407	7,791	384	5%
United States	2,563	5,371	2,808	110%
<b>Consolidated Revenue</b>	9,970	13,162	3,192	32%

#### Recurring Revenue

(in thousands of Canadian dollars)

	Q1 2007	Q1 2008	Variance	Growth
Canada	6,344	6,263	(81)	-1%
United States	2,426	4,713	2,287	94%
<b>Consolidated Revenue</b>	8,770	10,976	2,206	25%

### Revenue from Canadian activities

The increase in revenue from Canadian activities is mainly due to growth of \$0.5 million in non-recurring revenue, representing a 44% increase. This is explained by the increased deployment and implementation of our clinical administrative solutions. Recurring revenue remained stable compared to the same period in the previous fiscal year. This is explained by the fact that a greater number of clients took advantage of our payment discounts and by the fact that there was a temporary decrease in the volume of payrolls processed resulting from the loss of client facilities in Quebec that were merged to create Health and Social Service Centres (CSSS). These losses will be more than offset by contracts that are currently being implemented and will begin to generate revenue from software rights of use over the next year as well as by signed contracts that come into effect on April 1, 2008.

As at December 31, 2007, the Company had \$1.3 million in current deferred professional services revenue and \$4.1 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.

### Revenue from American activities

Revenue from American activities increased by \$2.8 million or 110%. The organic growth of our American activities was 16% between the first quarter in 2007 and the first quarter of 2008. However, the appreciation of the Canadian dollar cancels out this growth when the American operating results are converted into Canadian dollars. The significant increase in revenue from the American activities, in Canadian dollars, is mainly due to the activities added during the fiscal year following the acquisition of the assets of Choice Systems Enterprise, Inc. ("**Choice Systems**"), Ideal Software, Inc. ("**REPS**") and Achieve.

As at December 31, 2007, the Company had \$1.0 million in current deferred software license revenue and \$2.0 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, namely commissions granted to representatives and agents, will be recognized over the average term of the related agreements which is generally five years.

### OPERATING EXPENSES

Operating expenses for the quarter, which are composed of service costs and selling and administrative expenses, stood at \$8.7 million, representing an increase of \$2.8 million, or 46%, compared to the expenses recorded during the same period in the previous fiscal year. This significant increase is mainly attributable to the inclusion of the activities acquired from Choice Systems, REPS and Achieve.

Service costs. Service costs increased by \$1.8 million or 44%. Variance in service costs is presented in the following table:

<b>Service Costs</b>				
(in thousands of Canadian dollars)				
	<b>Q1 2007</b>	<b>Q1 2008</b>	<b>Variance</b>	<b>Growth</b>
Canada	3,108	<b>3,191</b>	83	3%
United States	1,035	<b>2,780</b>	1,745	169%
<b>Consolidated Service Costs</b>	4,143	<b>5,971</b>	1,828	44%

### **Gross Margin**

	<b>Q1 2007</b>	<b>Q1 2008</b>
Canada	58%	<b>59%</b>
United States	60%	<b>48%</b>
<b>Consolidated</b>	58%	<b>55%</b>

Canadian service costs increased by 3% for the first quarter of 2007 compared to the same period in the previous year and is mainly due to the annual increase in salaries. The gross margin for the Canadian segment stands at 59%, which is an improvement compared to 58% in the previous year.

The significant increase of 169% in the American service costs is mainly attributable to the inclusion of previously mentioned activities acquired over the last twelve months. This increase caused the gross margin for the American segment to decrease from 60% to 48%. Management believes that the gross margin will increase over the upcoming quarters following recent acquisition-related synergies.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$2.7 million or 21% of revenue for the quarter, compared to \$1.8 million or 18% of revenue for the same period last year. The increase of \$0.9 million is explained by an increase of \$0.2 million in selling, general and administrative expenses in Canada and an increase of \$0.7 million in these expenses in the United States, namely expenses related to our offices in Minneapolis and Tampa.

Stock-based compensation. There are no expenses related to stock-based compensation for the first quarter of the fiscal year compared to \$29,648 for the same period in the previous fiscal year. These expenses were related to stock options granted on April 1, 2005. Since that date, all these stock options can be exercised and therefore no expenses remain to be recognized. As of the date of this MD&A, Management does not intend to grant any additional stock options.

### **OPERATING EARNINGS**

Operating earnings before depreciation, amortization, income from temporary investments, financial expenses and taxes for the quarter ended December 31, 2007 stood at \$4.5 million, representing an increase of \$0.5 million or 11% over the same period last year.

In the course of the due diligence review conducted for the acquisition of Achieve's assets and business activities, the Company determined a need for a restructuring of that company's financial situation. At the closing of the acquisition, the Company quickly implemented a restructuring of Achieve's operations including, among other things, a significant reduction in the workforce and the termination of several external consulting agreements. Management of the Company believes that the operating income generated by the assets and business activities acquired from Achieve will be positive as of the second quarter of the current fiscal year.

### **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, 2007 rose to \$1.9 million, representing an increase of 22% compared to the same period in the previous fiscal year. This increase is mainly attributable to the amortization of the customer relationships and technologies acquired from Choice Systems, REPS and Achieve.

### **FINANCIAL EXPENSES**

Financial expenses increased by \$0.6 million compared to financial expenses for the same period last year. Financial expenses for the first quarter of fiscal year 2007 were mainly composed of interest charges related to Canadian and American credit facilities obtained to finance the acquisitions of Choice Systems, REPS and Achieve, interest charges on the balance of purchase price and amortization of deferred financing charges. This amortization includes the write-off of \$0.3 million in financing charges incurred to implement the credit facilities that were replaced during the quarter. During the quarter ended December 31, 2006, the Company did not draw on its credit facilities which remained unused and therefore financial expenses did not include any interest charges.

### **NET EARNINGS**

Net earnings for the first quarter ended December 31, 2007 stood at \$1.4 million, or \$0.16 per share, compared to \$1.5 million, or \$0.16 per share, for the same period in the previous fiscal year.

## ■ 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.

<i>thousands of dollars</i>	2006			2007				2008
	Q2*	Q3*	Q4*	Q1*	Q2	Q3	Q4	Q1
<b>Revenue</b>	<b>9,603</b>	<b>11,255</b>	<b>10,469</b>	<b>9,970</b>	<b>12,309</b>	<b>11,405</b>	<b>11,569</b>	<b>13,162</b>
<b>Operating Expenses</b>								
Service costs	3,824	4,702	4,135	4,142	4,682	4,895	4,744	<b>5,971</b>
Selling and administrative expenses	2,038	2,105	2,068	1,796	2,326	2,143	2,106	<b>2,727</b>
	5,862	6,807	6,203	5,938	7,008	7,038	6,850	<b>8,698</b>
<b>Operating Earnings</b>	<b>3,741</b>	<b>4,448</b>	<b>4,266</b>	<b>4,032</b>	<b>5,301</b>	<b>4,367</b>	<b>4,719</b>	<b>4,464</b>
Amortization	1,484	1,564	1,591	1,533	1,600	1,563	1,627	<b>1,897</b>
Loss on disposal of fixed assets	18	18	-	5	120	1	9	-
Income on temporary investments	(27)	(25)	(33)	(25)	(9)	(61)	(71)	<b>(37)</b>
Financial expenses	240	212	94	7	78	277	284	<b>600</b>
<b>Earnings before Income Tax</b>	<b>2,026</b>	<b>2,679</b>	<b>2,614</b>	<b>2,512</b>	<b>3,512</b>	<b>2,587</b>	<b>2,870</b>	<b>2,005</b>
Income tax	774	1,024	999	599	1,209	753	971	<b>599</b>
<b>Net Earnings</b>	<b>1,252</b>	<b>1,655</b>	<b>1,615</b>	<b>1,469</b>	<b>2,303</b>	<b>1,834</b>	<b>1,899</b>	<b>1,406</b>
<b>Net Earnings per Share</b>								
Basic	<b>0.14</b>	<b>0.18</b>	<b>0.18</b>	<b>0.16</b>	<b>0.26</b>	<b>0.21</b>	<b>0.22</b>	<b>0.16</b>
Diluted	<b>0.14</b>	<b>0.18</b>	<b>0.18</b>	<b>0.16</b>	<b>0.26</b>	<b>0.21</b>	<b>0.22</b>	<b>0.16</b>

\* Restated; see note 1 to the consolidated financial statements.

## ■ Liquidity and Sources of Financing

### OPERATING ACTIVITIES

For the first quarter ended December 31, 2007, operating activities used cash flows of \$3.7 million, whereas these activities, for the same period in the previous fiscal year, used cash flows of \$2.0 million. This increase is mainly explained by the change in non-cash working capital items.

### INVESTING ACTIVITIES

The Company used \$20.8 million for investing activities during the quarter ended December 31, 2007. Of this amount, \$20.0 million was used to acquire Achieve and \$0.7 million corresponds to capitalized software development costs. The difference, \$0.1 million, was used for capital expenditures for the Canadian and American operations.

### FINANCING ACTIVITIES

The Company borrowed \$26.7 million through its new Canadian secured credit facilities of \$40.0 million in order to finance the acquisition of Achieve and reimburse the balance of the American credit facility. The total amount repaid for this credit facility was \$6.4 million. The Company also made repayments of \$22.2 million on its Canadian credit facilities.

The Company completed a private placement of 1,204,700 common shares for cash consideration of \$22.9 million. It also issued 10,000 common shares for an amount of \$25,000 pursuant to option exercises.

## ■ 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, as well as for its office space in St. Louis, Minneapolis, Tampa and 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 Achieve's office space was renewed until December 2010. MDI Achieve signed a lease ending in 2010 for its Smithfield, Virginia office space and a lease ending in 2012 for its Tampa office space. The Company is currently negotiating the renewal of the lease for its office space in Minneapolis that will end in August 2008.

## ■ Related Party Transactions

During the first quarter ended December 31, 2007, the Company entered into the following transactions with a shareholder of a company having significant influence over the Company.

Management fees – expenses	\$ <b>156,250</b>
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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 2007 fiscal year. This report is available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as on the Company's website at [www.logibec.com](http://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.

## ■ Internal Control Over Financial Reporting

Internal control over financial reporting (ICFR) is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining adequate ICFR. The CEO and the CFO of the Company, after evaluating the design of the Company's ICFR as of September 30, 2007, identified a need for improvement in the financial closing and reporting process and its procedure for determining the provision for income taxes. This area for improvement has been addressed by Management and appropriate internal controls have been implemented to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with Canadian GAAP.

## ■ 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](http://www.sedar.com) as well as the Company's website at [www.logibec.com](http://www.logibec.com).

## ■ Corporate Information

### OFFICES

❑ **MONTREAL (HEAD OFFICE)**  
700, Wellington Street, Suite 1500  
Montreal (Quebec) H3C 3S4  
www.logibec.com  
514-766-0134  
514-766-9237 (fax)

❑ **QUEBEC**  
❑ **EDMONTON**  
❑ **ST. LOUIS**  
❑ **MINNEAPOLIS**  
❑ **DALLAS**  
❑ **TAMPA**  
❑ **SMITHFIELD, VA**

### BOARD OF DIRECTORS

**André Paiement<sup>(1)</sup>**  
Chairman of the Board  
Lawyer

**Claude Roy, Eng. M.B.A.**  
President and Chief Executive Officer  
LOGIBEC GROUPE INFORMATIQUE LTD.

**Jocelyn Boucher<sup>(1)(2)</sup>**  
Financial and Economic Partnership Director  
CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM)

**André Gauthier<sup>(2)</sup>**  
President  
ANDRE GAUTHIER HOLDING INC.

**Marc M. Malouin CA, CPA<sup>(1)(2)</sup>**  
Chief Financial Officer  
SONACA NORTH AMERICA INC.

**Robert Roy**  
President  
LOTEC INC.

<sup>(1)</sup> Members of the Human Resources Committee

<sup>(2)</sup> Members of the Audit Committee

### STOCK

The Company's Common Shares are traded on the Toronto Stock Exchange under the symbol "LGI".

### BANKS

National Bank of Canada  
Scotiabank

### TRANSFER AGENT AND REGISTRAR

Computershare  
1 800 564-6253  
www.computershare.com

### AUDITORS

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.  
www.deloitte.com