

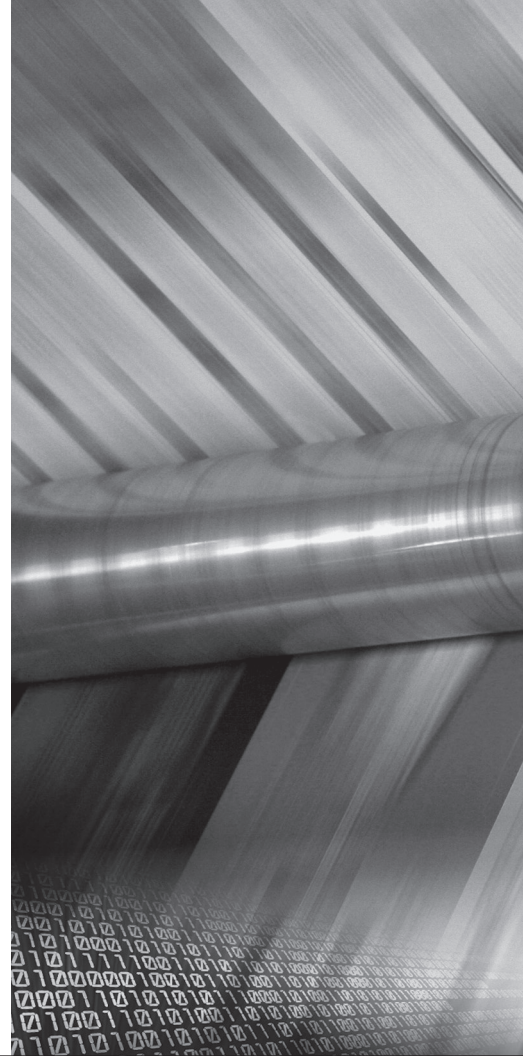


Powering Digital Publishing

Quarterly Report

1st quarter ending March 31, 2009

2009



Message from the President and Chief Executive Officer



Highlights of the first quarter of 2009

The results of the first quarter of 2009 show a decline compared to a year earlier. Nstein revenues for the first quarter of 2009 were \$5.4 million, down 11% compared to \$6.03 million a year earlier. The Company posted a loss before financial expenses, exchange losses, income tax, depreciation, amortization and restructuring fees (EBITDA) of \$0.8 million compared to a negative EBITDA of \$0.5 million for the first quarter of 2008.

Although these results are somewhat disappointing, they are in line with our expectations given the difficult economic environment. The company's target clientele, publishers of newspapers and magazines, have seen their advertising revenues plummet during the first quarter as advertisers substantially reduced their spending in this recession. Obviously, this situation delays their decisions to invest in solutions like those we offer. We nevertheless remain convinced of the value of our offering, given that we were able to sign \$1.5 million worth of new contracts during the period with existing customers and a leading publisher in the United Kingdom. We intend to manage the company prudently during this period of uncertainty while positioning ourselves advantageously for the future recovery.

The financial situation of the Company remains strong, as evidenced by the liquidity position of \$6.7 million, working capital of \$7.6 million and long-term debt of \$0.4 million on March 31, 2009. Although like all other players on this market we have been affected by the difficult economic situation, we remain confident because of the strength of our team, our avant-garde products and a constantly growing list of prestigious clients who consider our solutions as one of the foundations of their future growth.

A handwritten signature in black ink, appearing to read 'Luc Filiatreault', written over a horizontal line.

Luc Filiatreault
President and Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

This analysis provides the reader with a summary of changes in the financial situation of Nstein Technologies Inc. ("Nstein" or "the Company") during the three-month period ended March 31, 2009. It also compares results of operations and cash flows for the three-month period ended March 31, 2009 to those for the previous fiscal year.

The analysis should be read in conjunction with the audited consolidated financial statements as at December 31, 2008, and related notes presented in the Company's annual report. Nstein's financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). The Company reports its results in Canadian dollars. Unless otherwise indicated, all amounts in this analysis are in Canadian dollars.

Some statements in this analysis are forward-looking statements and reflect the Company's present assumptions regarding future events. Forward-looking statements involve risks and uncertainties that could cause actual results to differ from current expectations.

Overview

Nstein Technologies (TSX-V: EIN) develops and markets multilingual solutions that power digital publishing for the most prestigious newspapers, magazines, and content-driven organizations. Nstein's solutions generate new revenue opportunities and reduce operational costs by enabling the centralization, management and automated indexing of digital assets. Nstein partners with clients to design a complete digital strategy for success using publishing industry best practices for the implementation of its Web Content Management, Digital Asset Management, Text Mining Engine and Picture Management Desk products. www.nstein.com

Strategy

Since its inception, the Company has been committed to developing and marketing online publishing solutions that accelerate and improve multilingual search and content repurposing operations. Its solutions are the result of many years of experience with digital content publishers, who were the first to recognize the impact of the technologies offered by Nstein on their firms' profitability.

The Company is actively pursuing the development and commercialization of these solutions, to which the market is very receptive. These solutions allow publishers to migrate rapidly their publications from paper to Web, which is crucial to ensure their success. Since the amounts allocated to the Web by advertisers are constantly increasing at the expense of the amounts allocated to print publications, publishers must offer their content to their readers quickly via websites equipped with the latest features. The Company will continue its research activities in order to refine its technology even further and identify other promising markets for its digital publishing solutions.

Due to the current economic situation advertisers have greatly reduced their spending thus negatively affecting the publishing industry. We anticipate that these unfavourable conditions will continue to represent challenges in 2009. The strategic objectives during this period of economic uncertainty are the protection of liquid assets, EBITDA* and human capital. However, if market conditions continue to worsen, the Company will be ready to apply additional measures to protect its liquid assets. The Company however believes, not having to make adjustments to its sale price structure.

Key performance indicators

Nstein evaluates its company-wide performance using key financial indicators, particularly revenues, EBITDA* and net loss. These items are described in the appropriate sections below. Management also monitors performance using certain indicators related to operations.

Selected financial information

	Three months ending March 31	
	2009	2008
	\$	\$
Revenues	5,385,332	6,029,231
EBITDA*	(752,970)	(467,026)
Loss	(1,236,375)	(891,890)
Basic and diluted loss per share	(0.024)	(0.019)

* Definition of EBITDA: Earnings (loss) before financial expenses, exchange gain (loss), income tax, depreciation, amortization, restructuring fees and impairment of intangible assets. EBITDA is presented as an additional measurement of earnings to help readers determine the Company's capacity to generate liquidity from its activities and defray its financial expenses. It is also an indicator that is widely used for evaluation purposes. Because this term has no standardized meaning under Canadian generally accepted accounting principles, it may not be comparable to similar measurements used by other companies

The decline in EBITDA in the first quarter of 2009 is due to a reduction of software license revenues. Given the difficult economic situation, potential clients are hesitant to invest the amounts required to acquire solutions like those offered by Nstein. During the quarter, restructuring charges totalling \$304,380 were incurred due to the elimination of certain permanent positions within the Company.

Operating results

Revenues

For the three month period ended March 31, 2009, the Company recorded revenues of \$5,385,332, representing a decrease of 11% compared to revenues of \$6,029,231 realized in the corresponding previous period. This decrease is attributable to licensing revenues. The Company derives most of its revenues from the sale of software user licenses, post-sales technical support and specialized services. Given the high unit price of its software licenses, the Company's results are materially affected when sales shift to a subsequent quarter.

Cost of sales, net of tax credits

The cost of sales comprises human resources assigned to the various projects (employees and external consultants), as well as third-party software charges. The cost of sales net of tax credits rose 12% to \$2,823,400 or 52% of revenues for the quarter ended March 31, 2009, compared to \$2,524,414 or 42% of revenues for the corresponding period ended March 31, 2008. The cost of sales generally varies according to the composition of revenues, since direct costs are lower for revenues from the sale of software user licenses compared to revenues from the provision of services. The increase in costs is due to the presence for a full quarter of Picdar employees assigned to specialized services, compared to only half a quarter in 2008, since the acquisition was made on February 13, 2008.

Due to its eligibility for the Cité Multimédia Montréal Program, the Company is entitled to a 40% refundable tax credit on eligible salaries up to an annual maximum of \$15,000 per employee. These tax credits, applied against the cost of sales, amounted to \$83,365 for the first quarter of 2009, compared to \$75,000 in 2008. In 2008, the Government of Québec announced the introduction of a new information technology tax credit, which could allow the Company to continue to benefit from assistance comparable to the Cité Multimédia Montréal Program, which expires in December 2010.

Selling and administrative expenses

Selling and administrative expenses are mainly composed of employee compensation costs, commissions for sales personnel, travel expenses, office premises charges, professional fees and costs related to the management of a publicly held corporation. Selling and administrative expenses amounted to \$2,636,168 or 49% of revenues for the first quarter of 2009, compared to \$3,027,673 or 50% of revenues for the corresponding period ended March 31, 2008. The Company recorded a charge of \$200,508 in 2009 for bad debts compared to \$97,488 in 2008.

Research and development expenses, net of tax credits

Research and development expenses mainly comprise the cost of human resources assigned to the various projects. Research and development expenses, net of tax credits, amounted to \$678,734 or 13% of revenues for the quarter ended March 31, 2009, compared to \$944,170 or 16% of revenues for the corresponding period of 2008. Nstein is actively pursuing the development of its advanced content management solutions intended for the media and electronic publishing industry. The Company also benefits from scientific research and experimental development tax credits. These tax credits, presented in reduction of research and development expenses, amounted to \$121,325 for the first quarter of 2009, compared to \$215,797 for the same period in 2008. This reduction in tax credits is due to the reduction in research and development expenses.

Amortization of intangible assets

Intangible assets consist of acquired technologies, backlog, client relationships, software licenses and non-competition agreements. The amortization of intangible assets increased, rising from \$178,737 in the first quarter of 2008 to \$211,350 in the first quarter of 2009. Following the acquisition of Picdar in February 2008, the Company recorded intangible assets of \$3,046,103, which explains the increase in the amortization charge compared to 2008.

Exchange gain and loss

The Company recorded a foreign exchange gain of \$101,818 for the first quarter of 2009, compared to \$164,120 for the same quarter in 2008. The depreciation of the Canadian dollar in the first quarters of 2009 and 2008 resulted in a gain on assets denominated in US dollars, euros and pounds sterling.

Financial expenses

The Company incurred financial expenses of \$30,207 in the first quarter of 2009, compared to revenues of \$65,499 for the same quarter in 2008. This difference is mainly due to the reduced interest income attributable to the lower cash position and the reduction of interest rates on investments.

Restructuring fees

During the first quarter of 2009, the Company incurred an expense of \$304,380 for non-recurring restructuring fees. These costs were incurred as severance pay resulting from the abolition of eleven jobs in Europe. In the first quarter of 2008, the company had incurred restructuring charges totalling \$419,156 mainly consisting of severance pay, including a founder. As at March 31, 2009, an amount of \$93,246 is included in the accounts payable and accrued liabilities.

Loss

Nstein recorded a loss of \$1,236,375 or \$0.024 per share for the three-month period ended March 31, 2009, compared to a loss of \$891,890 or \$0.019 per share for the corresponding previous period. This increased loss results from the reduction of revenues due to the current economic slowdown and the charges incurred for the elimination of certain permanent positions and the rise in the charge for bad debts.

The Company will continue to rigorously manage its costs and closely track its activities in each region, adapting and realigning the organization as necessary in order to maintain an optimal financial situation in the context of current economic conditions.

Selected quarterly financial information

	First Quarter \$	Fourth Quarter \$	Third Quarter \$	Second Quarter \$
Quarter ending on	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008
Revenues	5,385,332	8,073,965	5,600,516	6,008,624
EBITDA*	(752,970)	813,915	(818,202)	(1,176,642)
Earnings (loss)	(1,236,375)	1,350,304	(1,056,073)	(1,551,727)
Basic and diluted earnings (loss) per share	(0,024)	0,026	(0,021)	(0,030)

	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007
Revenues	6,029,231	6,268,163	4,092,092	4,007,729
EBITDA*	(467,026)	555,970	(84,025)	(144,315)
Earnings (loss)	(891,890)	109,713	(291,195)	(1,010,003)
Basic and diluted earnings (loss) per share	(0,019)	0,003	(0,008)	(0,028)

* Definition of EBITDA: Earnings (loss) before financial expenses, exchange loss, income tax, depreciation, amortization, restructuring fees and impairment of intangible assets. EBITDA is presented as an additional measurement of earnings to help readers determine the Company's capacity to generate liquidity from its activities and defray its financial expenses. It is also an indicator that is widely used for evaluation purposes. Because this term has no standardized meaning under Canadian generally accepted accounting principles, it may not be comparable to similar measurements used by other companies.

Liquidity and financial resources

Cash and cash equivalents

As at March 31, 2009, cash and cash equivalents amounted to \$6,678,892, compared to \$7,405,217 as at December 31, 2008.

Cash flows

Operating activities

Cash flows allocated to operating activities totalled \$564,034 for the first quarter of 2009, compared to an increase in liquidities of \$766,576 in 2008. The variation is largely attributable to the increase in the net loss in 2009, partially offset by the collection of accounts receivable associated with fourth quarter 2008 sales. During the corresponding quarter in 2008, the non-cash items of the working capital had generated a positive variation of \$1,149,162, mainly due to the receipt of tax credits and the variation in deferred revenues.

Financing activities

Financing activities used cash flows of \$90,160 in the first quarter of 2009, compared to \$623,616 for the same quarter in 2008. The reimbursement in the first quarter of 2008 of the bank loan of \$452,742 related to tax credits explains this variation.

Investing activities

Cash flows used in investing activities amounted to \$72,131 for the first quarter of 2009, compared to \$2,371,250 for the same period in 2008. This variation is mainly due to the acquisition of Picdar. The Company disbursed \$101,512 for business combination related costs during the first quarter of 2009, compared to \$2,361,359 devoted to the transaction during the corresponding period in 2008.

Based on rational assumptions, the Company's forecast provides confidence that its current financial resources, combined with cash flows from operations, will be sufficient to allow it to attain its objectives and preserve its financial autonomy in the foreseeable future.

Contractual obligations

	Total	Less than 1 year	1 to 3 years	Installments payable, by period	
				4 to 5 years	Over 5 years
	\$	\$	\$	\$	\$
Long-term debt	745,143	340,416	295,236	109,491	-
Use of offices	2,870,768	1,049,833	1,536,093	139,912	144,930
Royalties on utilization of a software license	225,000	225,000	-	-	-

Shareholders' equity

On May 14, 2009, the Company had 51,902,645 commons shares, 3,622,083 stock options and 5,403,218 warrants outstanding.

Business combination

On February 13, 2008, the Company acquired all of the outstanding shares of Picdar Group Ltd ("Picdar"), a digital asset and image management solutions provider in the United Kingdom (the "Transaction") for a purchase price equivalent to the sum of (i) the value of the Company established between \$6,617,700 and \$9,275,810 (between £3,375,000 and £4,730,625) and (ii) the surplus working capital estimated at closing at \$4,472,255 (£2,280,832).

An amount of \$6,617,700 (£3,375,000) was paid upon closing of the Transaction and the balance of the value of the company, up to \$2,658,110 (£1,355,625), is payable in three annual instalments beginning March 31, 2008 based on the achievement of the target future revenues and EBITDA*. Each instalment is composed of a 75% portion in cash and cash equivalents and 25% in newly issued shares of the Company at a unit price set according to the weighted average price of the Company's last 20 trading days on the TSX Venture Exchange immediately preceding each payment date. On February 13, 2008, the Company issued 1,835,480 common shares in initial payment of the purchase price. The issued shares are subject to escrow conditions and will be released quarterly over a period of twenty-four (24) months.

The surplus working capital is payable in cash and cash equivalents. A first instalment of \$3,419,841 (£1,744,105) having been paid upon closing of the Transaction and the balance of \$1,052,414 (£536,727) having been paid on receipt of the closing financial statements in April 2008. In July 2008, the company settled the first annual installment of the purchase price through the issuance of 191,144 common shares with a carrying value of \$121,580 and a cash payment of \$533,210 (£265,781).

Significant accounting policies

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. These estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses. Significant estimates include the allowance for doubtful accounts receivable, the degree of progress of work in process, recoverable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and measurement of financial instruments. Actual results may differ from those estimates.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization but is tested for impairment on an annual basis, or more frequently if events or circumstances occur, indicating that it is more likely than not that it might be impaired. The recoverability of goodwill is established at the reporting unit level on the basis of a two-step impairment test. First, the net carrying value of a reporting unit is compared to its fair value, which is established based on available discounted cash flows. If the net carrying value of a reporting unit exceeds its fair value, the second step of the test must be performed. For this step, the amount of any goodwill impairment loss is the excess of the carrying value of goodwill over its fair value. This amount is charged to earnings in the period in which it is incurred. For purposes of this impairment test, the fair value

of goodwill is estimated in the same way as goodwill is determined in business acquisitions, meaning that it represents the excess of a reporting unit's fair value over the estimated fair value of its net identifiable assets. The Company comprises a single reporting unit. The Company has elected to perform its annual impairment test in December of each year.

Revenue recognition, work in process and deferred revenues

The Company recognizes revenues from the sale of software licenses and related post-contract customer support and other related services in accordance with Emerging Issues Committee Abstracts EIC-141 to 143 on revenue recognition. Fees from arrangements involving licenses, post-contract customer support and other related services are allocated to the various elements based on Company-specific objective evidence of the fair value of each of the elements. Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered, there are no uncertainties surrounding product acceptance, the related fees are fixed or determinable and collection is reasonably assured. Revenues from post-contract customer support elements are recognized rateably during the related support period. Revenues from other related services are recognized as the services are performed using the percentage-of-completion method and all foreseeable losses are included in earnings, when it is determined that such losses are estimated to be likely to occur. Furthermore, amounts received for services not yet rendered are accounted for as deferred revenues in the balance sheet.

Changes in accounting policies

On January 1, 2009, the Company adopted the new accounting standards of Section 3064 "Goodwill and Intangible Assets," which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets after their initial recognition. The new section replaces Section 3062 "Goodwill and Other Intangibles" and Section 3450 "Research and Development." Various modifications have been made to other sections of the CICA Handbook for the sake of consistency.

The company has applied these new accounting standards prospectively and does not anticipate any impact on its consolidated financial statements.

Future Accounting Changes

In January 2009, the CICA issued sections 1582 "Business Combinations," 1601 "Consolidated Financial Statements," and 1602 "Non-Controlling Interests."

Section 1582 will be converged with IFRS 3, "Business Combinations." Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements," concerning non-controlling interests. Finally, Section 1601 will carry forward the requirements of Section 1600 "Consolidated Financial Statements," other than those affecting non-controlling interests.

Section 1582 applies to operations where the purchaser obtains control of one or more businesses. The term "business" is more broadly defined in the current standard. Most assets acquired and liabilities assumed, including contingent liabilities considered "improbable," will be measured at their fair value. Acquisition costs must be expensed.

Pursuant to Section 1602, any none controlling interest will be recognized as a separates component of shareholders' equity. The calculation of net earnings does not show any deduction for non-controlling interests. Instead, net earnings will be allocated between controlling and non-controlling interests.

The new standards will come into force in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

Harmonization of Canadian and international standards

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP, publicly accountable enterprises, will be converged with the International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"). The Company will have to present its interim and annual financial statements for fiscal 2011 according to IFRS.

The Company is developing a changeover plan for conversion to these new standards according to the timetable set for these new rules. The implementation plan includes three main phases, i.e. initial assessment of impacts and definition of their scope, analysis of the repercussions and design, implementation and review.

In its preliminary comparative analysis of IFRS and Canadian GAAP, the Company detected some differences. At this time, the impacts on the financial position and future operating results cannot be established or estimated in a reasonable way. In 2009, the Company will continue its review of standards applicable to Nstein and assess these impacts.

The Company will present its results of fiscal 2010 according to the Canadian GAAP in force. In 2011, it will present the corresponding figures for fiscal 2010 in accordance with IFRS of the IASB then in force. As a result, the Company will prepare an opening balance sheet as of January 1, 2010 and maintain two parallel sets of accounts in 2010.

Contingency

A subsidiary of the Company has been given notice of a lawsuit, alleging the existence of a verbal license agreement and seeking to force it to provide software or alternatively pay US\$500,000 in damages. Management denies the existence of such an agreement and believes this suit to be without merit. Accordingly, no provision has been recorded for this purpose.

Controls and procedures

Nstein is a venture issuer and accordingly not required to certify the design and effectiveness of its controls. Nstein's management attributes great importance to the quality of its internal controls and makes sure that the controls in place adequately protect the Company's assets and ensure the production of complete and quality financial information.

Risks and uncertainties

Nstein's sphere of activity is subject to a variety of risk factors and uncertainties. The Company's business, financial position and results of operations may suffer the adverse effects of the risk factors and uncertainties. Further information concerning these risks and uncertainties can be found in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2008. Other risks and uncertainties currently unknown to the Company or regarded as negligible could also impact its business operations.

This analysis of the Company's financial position and results of operations was prepared as of May 14, 2009. Additional information on the Company can be found on the SEDAR Web site at www.sedar.com.



Bruno Martel
Chief Financial Officer

Quarterly Report for Our Shareholders

The attached consolidated financial statements have been prepared by the management of Nstein Technologies Inc. and have not been reviewed by an auditor. This quarterly report includes forward-looking statements that are based on certain assumptions and reflect Nstein's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Additional factors are discussed in Nstein's materials filed with the securities regulatory authorities in Canada from time to time. Nstein disclaims any intention or obligation to update or revise any forward-looking statements.

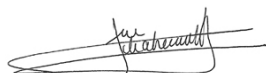
> www.nstein.com

NSTEIN TECHNOLOGIES INC.

Consolidated Balance Sheets[†]	As at March 31 2009	As at December 31 2008
	\$	\$
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	6,678,892	7,405,217
Term deposits	164,600	214,600
Accounts receivable	6,335,740	6,864,825
Refundable tax credits	1,189,168	984,478
Income taxes receivable	342,102	335,656
Work in progress	643,064	680,639
Prepaid expenses	243,650	207,389
	15,597,216	16,692,804
Property, plant and equipment	681,801	736,506
Intangible assets	3,160,478	3,364,257
Goodwill (note 4)	10,496,905	10,496,905
	29,936,400	31,290,472
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,070,941	4,442,361
Deferred revenues	3,469,979	3,236,640
Future income tax liabilities	150,315	150,315
Current portion of long-term debt (note 5)	340,416	330,503
	8,031,651	8,159,819
Long-term debt (note 5)	404,727	520,799
Future income tax liabilities	533,490	571,071
	8,969,868	9,251,689
Shareholders' Equity		
Share capital	54,086,087	54,028,128
Other equity components	2,768,745	2,695,998
Contributed surplus	1,839,135	1,805,717
Deficit	(37,727,435)	(36,491,060)
	20,966,532	22,038,783
	29,936,400	31,290,472
Contingency (note 12)		

[†] The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors,



Luc Filiatreault, Director



A. Michel Lavigne, Director

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Shareholders' Equity[†]

As at March 31

(unaudited)

	Share capital		Other equity components	Contributed surplus	Deficit	Shareholders' equity
	Common shares					
	Number	\$				
Balance as at December 31, 2007	41,125,536	52,652,275	2,823,558	1,223,997	(34,341,674)	22,358,156
Shares issued upon the exercise of stock options	21,667	12,991	(5,327)	-	-	7,664
Shares issued under the employee stock purchase plan	31,171	35,344	-	-	-	35,344
Shares issued upon the exercise of special warrants, net of issue expenses (note 6)	8,000,000	(156,173)	-	-	-	(156,173)
Issuance of shares related to business combination (note 4)	1,835,480	1,157,901	-	-	-	1,157,901
Reversal of stock options granted as compensation following employee departure	-	-	(153,754)	153,754	-	-
Stock-based compensation costs	-	-	146,985	-	-	146,985
Net loss and comprehensive loss for the period	-	-	-	-	(891,890)	(891,890)
Balance as at March 31, 2008	51,013,854	53,702,338	2,811,462	1,377,751	(35,233,564)	22,657,987
Balance as at December 31, 2008	51,566,057	54,028,128	2,695,998	1,805,717	(36,491,060)	22,038,783
Shares issued under the employee stock purchase plan	221,961	57,959	-	-	-	57,959
Reversal of stock options granted as compensation following employee departure	-	-	(33,418)	33,418	-	-
Stock-based compensation costs	-	-	106,165	-	-	106,165
Net loss and comprehensive loss for the period	-	-	-	-	(1,236,375)	(1,236,375)
Balance as at March 31, 2009	51,788,018	54,086,087	2,768,745	1,839,135	(37,727,435)	20,966,532

[†] The accompanying notes are an integral part of these consolidated financial statements.

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Earnings and Deficit [†]	Three months ending March 31	
	2009	2008
	\$ (unaudited)	\$ (unaudited)
Revenues (note 11)	5,385,332	6,029,231
Cost of sales, net of tax credits (note 8)	2,823,400	2,524,414
	2,561,932	3,504,817
Expenses		
Selling and administrative	2,636,168	3,027,673
Research and development, net of tax credits (note 8)	678,734	944,170
Depreciation of property, plant and equipment	76,864	75,379
Amortization of intangible assets	211,350	178,737
Exchange gain	(101,818)	(164,120)
Financial (revenues) expenses (note 10a)	30,207	(65,499)
Restructuring fees (note 9)	304,380	419,156
	3,835,885	4,415,496
Loss before income tax	1,273,953	910,679
Recovery of income tax		
Future income tax	(37,578)	(18,789)
	(37,578)	(18,789)
Net loss and comprehensive loss for the period	1,236,375	891,890
Deficit - Beginning of period	36,491,060	34,341,674
Deficit - End of period	37,727,435	35,233,564
Basic and diluted net loss per share	0.024	0.019
Basic and diluted weighted average number of shares outstanding	51,716,920	46,382,730

† The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated Statements of Cash Flows [†]	Three months ending March 31	
	2009	2008
	\$ (unaudited)	\$ (unaudited)
Cash flows from operating activities		
Net loss for the period	(1,236,375)	(891,890)
Items not affecting cash and cash equivalents		
Interest capitalized on long-term debt	3,762	8,270
Unrealized exchange loss	105	70,300
Depreciation of property, plant and equipment	76,864	75,379
Amortization of intangible assets	211,350	178,737
Stock-based compensation costs	106,165	146,985
Compensation costs related to the deferred share unit plan for directors	(93,860)	30,750
Costs related to the employee stock purchase plan	28,979	17,672
Recovery of income tax	(37,578)	(18,789)
	(940,588)	(382,586)
Change in non-cash operating working capital items		
Accounts receivable	529,085	(619,851)
Refundable tax credits	(204,690)	626,671
Income tax receivable	(6,446)	-
Work in progress	37,575	(456,400)
Prepaid expenses	(36,261)	(26,800)
Accounts payable and accrued liabilities	(176,048)	211,081
Deferred revenues	233,339	1,414,461
	376,554	1,149,162
	(564,034)	766,576
Cash flows from financing activities		
Variation in bank loans	-	(452,742)
Payments on long-term debt	(119,139)	(153,595)
Issuance of common shares, net of issue expenses	28,979	(17,279)
	(90,160)	(623,616)
Cash flows from investing activities		
Variation in term deposits	50,000	20,786
Business acquisitions, net of cash and cash equivalents	(101,512)	(2,361,359)
Additions to property, plant and equipment	(13,049)	(28,410)
Additions to intangible assets	(7,570)	(2,267)
	(72,131)	(2,371,250)
Decrease in cash and cash equivalents	(726,325)	(2,228,290)
Cash and cash equivalents – Beginning of period	7,405,217	11,730,855
Cash and cash equivalents – End of period	6,678,892	9,502,565
Additional information (note 10b and c)		

[†] The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 - Statutes and nature of activities

The Company, incorporated in January 2000 under Part 1A of the *Québec Companies Act*, develops and markets multilingual online publishing solutions dedicated to players in the media industry, such as newspapers, magazines and digital content providers. Nstein solutions generate new revenue sources and reduce operating costs by allowing centralization, management and automated indexing of digital content. Nstein collaborates closely with its customers to implement winning strategies based on publishing industry best practices, which allow rapid implementation of its Web Content Management, Digital Asset Management, Text Mining Engine and Picture Management Desk products.

Note 2 – Interim financial information

The financial information as at March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made are of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual consolidated financial statements, except for the new accounting standards as disclosed in note 3. All disclosures required for annual financial statements have not been included in these financial statements. These interim consolidated financial statements should therefore be read in conjunction with the Company's most recent consolidated financial statements.

Note 3 - Summary of significant accounting policies

Basis of consolidation

These consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries, Nstein Technologies Corp., Nstein Technologies France S.A.S.U., Alis Technologies inc., Cabinet Conseil Valsar inc. and Picdar Group Ltd.

Foreign currency

Foreign currency transactions

Transactions denominated in currencies other than the functional currency are translated into the functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the monthly average rate for the year. Non-monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation are reflected in the statements of earnings.

Foreign subsidiaries

Foreign subsidiaries are considered to be integrated foreign operations. As a result, the foreign subsidiaries' accounts are remeasured into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the monthly average rate for the year. Gains and losses arising from such remeasurement are reflected in the statements of earnings.

Revenue recognition, work in process and deferred revenues

The Company recognizes revenues from the sale of software licenses and related post-contract customer support and other related services in accordance with Emerging Issues Committee Abstracts EIC-141 to 143 on revenue recognition. Fees from arrangements involving licenses, post-contract customer support and other related services are allocated to the various elements based on Company-specific objective evidence of the fair value of each of the elements. Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered, there are no uncertainties surrounding product acceptance, the related fees are fixed or determinable and collection is reasonably assured. Revenues from post-contract customer support elements are recognized rateably during the related support period. Revenues from other related services are recognized as the services are performed using the percentage-of-completion method and all foreseeable losses are included in earnings, when it is determined that such losses are estimated to be likely to occur. Furthermore, amounts received for services not yet rendered are accounted for as deferred revenues in the balance sheet.

Changes in accounting policies

On January 1, 2009, the Company adopted the new accounting standards of Section 3064 "Goodwill and Intangible Assets," which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets after their initial recognition. The new section replaces Section 3062 "Goodwill and Other Intangibles" and Section 3450 "Research and Development." Various modifications have been made to other sections of the CICA Handbook for the sake of consistency.

The company has applied these new accounting standards prospectively and does not anticipate any impact on its consolidated financial statements.

Future Accounting Changes

In January 2009, the CICA issued sections 1582 "Business Combinations," 1601 "Consolidated Financial Statements," and 1602 "Non-Controlling Interests."

Section 1582 will be converged with IFRS 3, "Business Combinations." Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements," concerning non-controlling interests. Finally, Section 1601 will carry forwards the requirements of Section 1600 "Consolidated Financial Statements," other than those affecting non-controlling interests.

Section 1582 applies to operations where the purchaser obtains control of one or more businesses. The term "business" is more broadly defined in the current standard. Most assets acquired and liabilities assumed, including contingent liabilities considered "improbable," will be measured at their fair value. Acquisition costs must be expensed.

Pursuant to Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. The calculation of net earnings does not show any deduction for non-controlling interests. Instead, net earnings will be allocated between controlling and non-controlling interests.

The new standards will come into force in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

Note 4 – Business combination

On February 13, 2008, the Company acquired all of the outstanding shares of Picdar Group Ltd (“Picdar”), a digital asset and image management solutions provider in the United Kingdom (the “Transaction”) for a purchase price equivalent to the sum of (i) the value of the company established between \$6,617,700 and \$9,275,810 (between £3,375,000 and £4,730,625) and (ii) the surplus working capital estimated at closing at \$4,472,255 (£2,280,832).

An amount of \$6,617,700 (£3,375,000) was paid upon closing of the Transaction and the balance of the value of the company, up to \$2,658,110 (£1,355,625), is payable in three annual instalments beginning March 31, 2008 based on the achievement of the target future revenues and EBITDA. Each instalment is composed of a 75% portion in cash and cash equivalents and 25% in newly issued shares of the Company at a unit price set according to the weighted average price of the Company’s last 20 trading days on the TSX Venture Exchange immediately preceding each payment date. On February 13, 2008, the Company issued 1,835,480 common shares in initial payment of the purchase price. The issued shares are subject to escrow conditions and will be released quarterly over a period of twenty-four (24) months.

The surplus working capital is payable in cash and cash equivalents, a first instalment of \$3,419,841 (£1,744,105) having been paid upon closing of the Transaction and the balance of \$1,052,414 (£536,727) having been paid on receipt of the closing financial statements in April 2008. In July 2008, the company settled the first annual instalment of the purchase price through the issuance of 191,144 common shares with a carrying value of \$121,580 and a cash payment of \$533,210 (£265,781).

At the purchase date, this acquisition has been accounted for using the purchase method, and the results have been consolidated from the acquisition date. The portion of the purchase price paid in shares has been reduced by an average discount of 30% in order to consider the impact of the escrow on the share value and a blockage discount due to the large number of shares traded at a precise moment in a limited market. With the exception of the first conditional payment, which was estimated at \$642,724 \$ (£327,786), two other conditional payments were not recorded because it is impossible to establish beyond reasonable doubt that the necessary conditions for the payment of additional consideration will be met.

The following table summarizes the purchase price allocation, established with the help of independent experts, including business combination-related costs based on the estimated fair value of the net assets acquired at the date of the acquisition.

	\$
Cash and cash equivalents	6,128,584
Other current assets	1,215,463
Property, plant and equipment	165,780
Intangible assets	
Core technology	2,254,920
Backlog	32,353
Customer relationships	656,868
Non-compete agreements	101,962
Total assets acquired	10,555,930
Current liabilities	2,425,712
Future income tax liabilities	852,909
Long-term debt	24,500
Total liabilities assumed	3,303,121
Net identifiable assets acquired	7,252,809
Goodwill	4,855,331
Purchase price	12,108,140
Settled as follows:	
Common shares issued	1,157,901
Cash amount	8,392,988
Balance of purchase price	1,695,137
Business combination-related costs	862,114
	12,108,140

Note 5 – Long-term debt

	March 31, 2009 \$ (Unaudited)	December 31, 2008 \$
Term loans		
- Discounted at 10%, payable in monthly instalments of \$8,929, maturing in May 2013. A moveable hypothec on all present and future assets, both tangible and intangible, of a subsidiary, has been given as security	357,085	374,531
- Discounted at 8%, with the National Research Council of Canada ("NRC"), payable in quarterly instalments of \$47,500 from October 2007, maturing in July 2009	93,046	91,210
- Discounted at 8%, with the NRC, payable in four annual instalments of \$78,338, starting on January 1, 2007, maturing in January 2010	73,352	149,764
- 10%, for which a letter of credit in the amount of \$164,600 has been issued, payable in monthly instalments of \$1,538 including principal and interest, maturing in August 2011. A moveable hypothec on a deposit certificate in the amount of \$164,600 has been given as security for the letter of credit*	39,468	43,035
- 4%, payable in monthly instalments of \$657 (€392) including principal and interest, maturing in June 2011. A moveable hypothec on a vehicle with a net carrying value of \$16,955 has been given as security	16,948	19,004
- 5%, payable in monthly instalments of \$811 (€448) including principal and interest, maturing in November 2010. A moveable hypothec on a vehicle with a net carrying value of \$62,646 has been given as security	22,063	23,559
Obligations under capital leases		
- Discounted at 7.75%, payable in total monthly instalments of \$6,447 including principal and interest, maturing between August 2010 and January 2012	143,181	150,199
	745,143	851,302
Less: Current portion	340,416	330,503
	404,727	520,799

* The letter of credit also aims to guarantee the obligations of the company under a lease.

Note 6 – Share capital

Authorized:

- Unlimited number of common shares, without par value, voting and participating
- Unlimited number of preferred shares, without par value, non-voting and non-participating

On February 13, 2008, the company issued 8,000,000 common shares to the holders of Special Warrants issued by the Company on November 30, 2007.

Note 7 – Other equity components

The following table presents the other equity components:

	As at March 31 2009 \$ (unaudited)	As at December 31 2008 \$
Stock-based compensation plans	1,279,516	1,206,769
Warrants	1,489,229	1,489,229
	2,768,745	2,695,998

Stock-based compensation plans

Stock option plan

During the three months ended March 31, 2009, the Company has awarded its employees 910,000 stock options. The fair value of options granted during this period amounted to \$163,967 has been established using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	1.88%
Expected volatility	79.5%
Dividend yield	nil
Expected life	60 months

Warrants

The following table presents the fair value of warrants using the Black-Scholes model:

	As at March 31 2009 \$ (unaudited)	As at December 31 2008 \$
354,000 warrants at \$1.00, maturing on November 7, 2009	168,955	168,955
1,764,705 warrants at \$1.50, maturing on September 27, 2010	404,181	404,181
1,764,707 warrants at \$2.00, maturing on September 27, 2010	332,396	332,396
1,166,865 warrants at \$1.80, maturing on October 12, 2010	383,538	383,538
352,941 warrants at \$0.85, maturing on June 12, 2011	200,159	200,159
	1,489,229	1,489,229

Note 8 – Tax credits

As a result of its eligibility for the Cité Multimédia Montréal program, the Company is entitled to a refundable tax credit of 40% on qualified salaries, up to a maximum of \$15,000 per employee. These tax credits, applied against the cost of sales, amounted to \$83,365 for the first quarter of 2009, compared to \$75,000 in 2008.

The Company also benefits from scientific research and experimental development tax credits. These tax credits, presented in reduction of research and development expenses, amounted to \$121,325 for the first quarter of 2009, compared to \$215,797 in 2008.

Note 9 – Restructuring fees

During the first quarter of 2009, the Company incurred an expense of \$304,380 for non-recurring restructuring fees. These costs were incurred as severance pay resulting from the abolition of eleven jobs in Europe. In the first quarter of 2008, the company had incurred restructuring charges totalling \$419,156 mainly consisting of severance pay, including a founder. As at March 31, 2009, an amount of \$93,246 is included in the accounts payable and accrued liabilities.

Note 10 – Additional information

Statement of earnings

a) Financial expenses

	Three months ending March 31	
	2009	2008
	\$	\$
	(unaudited)	(unaudited)
Interest on long-term debt	19,890	25,489
Interest and bank charges	26,619	6,126
Interest income	(16,302)	(97,114)
Total	30,207	(65,499)

Statement of cash flows

b) Items not affecting cash and cash equivalents related to financing and investing activities

	Three months ending March 31	
	2009	2008
	\$	\$
	(unaudited)	(unaudited)
Stock options granted as compensation transferred to the contributed surplus	33,418	153,754
Stock options exercised transferred to share capital	-	5,327
Business combination-related costs included in accounts payable and accrued liabilities	-	945,863
Issue expenses included in accounts payable and accrued liabilities	-	184,998
Assets under a capital lease	9,110	33,200

c) Additional information

	Three months ending March 31	
	2009	2008
	\$	\$
	(unaudited)	(unaudited)
Interest paid	17,787	11,520
Interest cashed	(35,349)	(67,440)

Note 11 – Segment information

The Company's activities are grouped under a single operating segment, namely the sale of software solutions and related post-contract customer support. Substantially all of the Company's property, plant and equipment are located in Canada.

Revenues by geographic region are detailed as follows:

	Three months ending March 31	
	2009	2008
	\$	\$
	(unaudited)	(unaudited)
Canada	2,007,390	2,292,238
United States	1,400,551	1,959,694
Europe	1,977,391	1,777,299
Total	5,385,332	6,029,231

Revenues are allocated to geographic regions based on the country of residence of the related customers.

Note 12 - Contingency

A subsidiary of the Company has been given notice of a lawsuit, alleging the existence of a verbal license agreement and seeking to force it to provide software or alternatively pay US\$500,000 in damages. Management denies the existence of such an agreement and believes this suit to be without merit. Accordingly, no provision has been recorded for this purpose.



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