

ODESIA Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED JUNE 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS AND FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis ("MD&A") reviews the operational results of Group Odesia Inc. ("the Company") for the six-month period ended June 30, 2009. The statements contained herein aim to assist the reader to better understand the business of the Company and the key elements of its financial position.

Prepared in accordance with Regulation 51-102 respecting continuous disclosure obligations, this report should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the period ended June 30, 2009 along with the Management's Discussion and Analysis for the year ended December 31, 2008 as well as the related audited annual consolidated financial statements. Except as otherwise stated, the Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), however, they do not include all the information and disclosure that must be presented in the annual financial statements. Unless indicated otherwise, all amounts are shown in Canadian dollars. The preparation of financial statements in compliance with Canadian GAAP requires that management use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the pertinent periods. These estimates are based on the experience of the Company's management and on other assumptions that it considers reasonable under the circumstances. The interim consolidated financial statements for the second quarter ended June 30, 2009, have not been examined by the Company's auditors.

The financial statements and report were reviewed by the Company's audit, human resources and corporate governance committee, and approved by the Company's Board of Directors on August 25, 2009.

Description of the Company's business

The Company offers business intelligence (BI) and data warehousing solutions to large and medium-sized companies since 1998. Its mission is to support its customers in the design and implementation of a decision support infrastructure contributing to a clear vision of their business strategy. The Company helps its clients maximize their performance by having them experience the full potential of business intelligence technology. This technology enables them to access, process and transmit information throughout an organization as well as to the organization's customers and business partners.

The strategy of the Company is partly focused on growth through acquisitions to broaden the range of services offered to its customers and expand its geographical coverage. Accordingly, on November 30, 2007, the Company has acquired all of the outstanding shares of Resource IT, a firm based in Mexico and specialized in providing professional consulting services in Information Technology. In 2006, the Company had acquired 70% of the outstanding shares of SAS BI Expert (renamed Odesia Europe SAS), a French consulting firm in Information Technology operating in Europe.

Forward-looking statements

This analysis contains statements that are forward-looking in nature. Such statements involve risks both known and unknown. These uncertainties and other factors can influence results. Accordingly, the actual results of the Company may be materially different from those expressed or implied by such forward-looking statements.

Statements made in reference to the current expectations of management involve risks and inherent uncertainties, known and not known. Certain verbs such as "believe," "foresee," "estimate," "anticipate," "aim" and "assess" as well as related expressions are employed in these forward-looking statements. These statements express the intentions, projects, expectations and opinions of the Company, which are all subject to risks, uncertainties and other factors over which the Company has, in many instances, no control. Future results may differ from those expected. Readers are cautioned against exaggerated confidence in any information of a prospective nature.

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2009

Highlights of the quarter

Highlights of the second quarter of 2009 are as follows:

- The sales of the Company have decreased by nearly \$814,000 or 19.1%; from \$4,271,000 in Q2 2008 to \$3,457,000 in Q2 2009. This decrease in sales is mainly the result of the economic crisis on the Mexican operations. ODESIA has reorganized its sales force in Mexico in order to correct this situation and has expanded its offering toward a wider range of services.
- Given that the Company is in the field of consultation, the cost of services provided is highly correlated to revenues, and have therefore decreased in the Q2 2009 compared to the same period last year.
- Earnings before amortization of tangible and intangible assets, financial expenses, and income taxes have been negatively impacted by the decrease in sales and by the related employment severance expense.
- In Q2 2009, ODESIA has an amortization expense of tangible and intangible assets totalling \$13,000; a decrease of 94.1% or \$209,000 compared to the corresponding quarter last year. This decrease in amortization expense is due to the write-offs of intangible assets recorded during fiscal year 2008.

Selected financial information

Earnings

(\$000's except per share amounts)	For the three-month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2009	2008	2009	2008
Sales	3,457	4,271	7,454	8,507
Loss before amortization of tangible and intangible assets, financial expenses, and income taxes	(343)	(168)	(206)	(96)
Net loss and comprehensive income	(506)	(1,199)	(523)	(1,417)
Basic and diluted loss per share	(0.017)	(0.043)	(0.018)	(0.051)

Balance sheet

(\$000's)	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Total assets	5,780	6,333
Long-term liabilities	826	962

Operating Results

Sales

During the second quarter ended June 30, 2009 the Company posted revenues of \$3,457,000, compared to \$4,271,000 for the corresponding quarter in 2008, a decrease of \$814,000 or 19.1%. During the six-month period ended June 30, 2009 the Company posted revenues of \$7,454,000, compared to \$8,507,000 for the corresponding period in 2008, a decrease of \$1,053,000 or 12.4%. This decrease in sales is mainly the result of the economic crisis on the Mexican operations. ODESIA has reorganized its sales force in Mexico in order to correct this situation and has expanded its offering toward a wider range of services.

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Given the current economic conditions, there is an increased risk that past performance, especially on the sales side, will not be indicative of the future. However, ODESIA is confident it will be able to at least maintain its 2009 first two quarter's sales level for each of the remaining quarters of fiscal year 2009. In the event that a decrease in the demand from its clients occurs, ODESIA has a plan for new restructuring efforts to be put in place.

Costs of services provided, operating and administrative expenses

The cost of services provided, operating and administrative expenses of the company amounted to \$3,800,000 during the second quarter ended June 30, 2009 compared to \$4,438,000 during the corresponding quarter last year, a decrease of \$638,000 or 14.4%. Similarly, the cost of services provided, operating and administrative expenses of the company amounted to \$7,660,000 for the six-month period ended June 30, 2009 compared to \$8,602,000 during the corresponding period last year, a decrease of \$943,000 or 11.0%.

The cost of services provided includes mainly the wages of our employees, and the direct costs of contracts. Given that the Company is in the field of consultation, the cost of services provided is highly correlated to revenues. Compared to the equivalent period of 2008, operating gross margins during the three and six-month periods ended June 30, 2009 were impacted by various factors, including:

- The Mexican operations were taken by surprise by the steep and sudden drop in sales in Q2 2009. This forced the company to incur employment severance expenses to react to the situation.
- The overall placement rate of resources was lower in 2009.
- On the other hand, the restructuring undertaken by the Company in the last semester of 2008 now results in important costs savings.

At the end of June 2009, the Company has authorized the vice-president of OESIA Mexico to take an unpaid sabbatical leave for an undetermined period of time.

Compared to the second quarter of 2008, and the six-month period ended June 30, 2008, operating and administrative expenses of the current quarter were impacted by various factors, including:

- The restructuring that took place in the last semester of 2008 decreased the operating and administrative expenses in 2009 compared to 2008.
- The Company relied less on the services of external professionals in the first semester of 2009 than it did in the equivalent period in 2008.
- A bad debt expense in Mexico caused by the actual economic conditions also impacted the operating and administrative expenses in Q1 2009.

Financial expenses and foreign exchange

Financial expenses and foreign exchange amounted to \$164,000 during the second quarter of 2009 compared to \$121,000 during the corresponding quarter last year; a \$43,000 or 35.5% increase. In comparison to Q2 2008, there has been, in 2009, a decrease in the interest rates and the long-term debt is lower; however, ODESIA has a new convertible debenture since July 2008. All these elements combined generated a \$12,000 decrease in interest expense in Q2 2009 compared to Q2 2008. Therefore the increase in financial expenses and foreign exchange mentioned above is mainly attributable to the fact that ODESIA realized a \$42,000 loss on foreign exchange during the three-month period ended June 30, 2009 compared to a gain of \$15,000 during the same period last year.

For the same reasons, the financial expenses and foreign exchange amounted to \$282,000 for the six-month period ended June 30, 2009 compared to \$198,000 for the six-month period ended June 30, 2008; this represents a \$84,000 or 42.4% increase.

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Net loss

The net loss for the second quarter ended June 30, 2009 amounted to \$506,000 or \$0.017 per share, compared to \$1,199,000 or \$0.043 per share during the second quarter of 2008. Similarly the net loss for the six-month period ended June 30, 2009 amounted to \$523,000 or \$0.018 per share, compared to \$1,417,000 or \$0.051 per share during the same period of 2008.

The net loss for the second quarter of 2009, and for the six-month period ended June 30, 2009 includes amortization of tangible and intangible assets of \$13,000 (\$49,000 for the six-month period) compared to \$223,000 during the corresponding quarter last year (\$440,000 for the corresponding six-month period last year); a \$210,000 decrease (\$391,000 decrease for the six-month periods). The significant decrease in amortization expense is mainly due to write-offs of intangible assets recorded during fiscal year 2008. This amortization expense has no impact on cash flows of the Company.

Last year, the net loss for the second quarter and the six-month period ended June 30, 2008 also included a \$1,010,000 write-off of a portion of the intangible assets. This write-off had no impact on cash flows of the Company.

Quarterly data (unaudited)

The following table summarizes certain information of the Company's last ten quarters:

(\$000's except per share amounts)	Q1 March 31	Q2 June 30
2009	\$	\$
Sales	3,997	3,457
Net loss and comprehensive loss	(17)	(506)
Basic and diluted net loss per share	(0.001)	(0.017)

(\$000's except per share amounts)	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
2008	\$	\$	\$	\$
Sales	4,236	4,271	4,350	4,278
Net loss and comprehensive loss	(217)	(1,199)	(132)	(1,459)
Basic and diluted net loss per share	(0.008)	(0.043)	(0.005)	(0.049)

(\$000's except per share amounts)	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
2007	\$	\$	\$	\$
Sales	2,562	3,854	3,415	3,594
Net loss and comprehensive loss	(110)	(6)	(195)	(302)
Basic and diluted net loss per share	(0.004)	(0.000)	(0.008)	(0.011)

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Outstanding shares

Information relating to shares outstanding is summarized in the table below:

	June 30, 2009	December 31, 2008
Outstanding shares	29,620,286	29,620,286
Stock Options outstanding	435,000	475,000
Warrants outstanding	338,333	350 000
Shares outstanding on a fully diluted basis	30,393,619	30,445,286

Balance sheet

Current assets amounted to \$4,245,000 as at June 30, 2009 compared to \$4,790,000 as at December 31, 2008, a decrease of \$545,000. This decrease is mainly caused by the decrease in accounts receivable, contracts in progress and research tax credit recoverable. The lower level of sales in Q2 2009 compared to Q4 2008 explains the decrease in accounts receivable and contracts in progress. The research tax credit recoverable were collected in the second quarter ended June 30, 2009.

The Company's total assets amounted to \$5,780,000 as at June 30, 2009, compared to \$6,333,000 as at December 31, 2008; a decrease of \$553,000. This is mainly explained by the decrease in current assets described in the previous paragraph.

Current liabilities amounted to \$4,850,000 as at June 30, 2009, compared to \$5,052,000 as at December 31, 2008, a decrease of \$202,000. This is attributable to a decrease in instalments on long-term debt following the renegotiation of the payment terms of the long-term debt agreement.

Liquidity and capital resources

As at June 30, 2009, the Company had cash amounting to \$335,000, compared to \$370,000 as at December 31, 2008. Working capital as at June 30, 2009 was negative \$605,000 compared to negative \$262,000 as at December 31, 2008. ODESIA expects the cash flow from operations to be sufficient to meet its liquidity needs in the upcoming months. It currently has no additional credit available aside from the bank loans which are not used up to the maximum amount authorized. As at December 31, 2008, the Company did not meet the financial ratios required by its banks (see note 8 in the Company's consolidated financial statements). This is largely attributable to the net loss incurred in 2008 and by the acquisition of customer contracts of approximately \$1.5 million and the acquisition of Resource IT. Therefore, the Company's ability to realize its assets and discharge its liabilities depends on the continued support of its lenders and shareholders. The Company's management is currently negotiating to obtain additional funding and refinancing arrangement but there is no assurance that the Company will be successful in raising such future funds on satisfactory terms. The Company may issue new shares and new debt titles or refinance existing debt with different characteristics. The company also adopted an expense rationalization plan to address the situation. ODESIA will continue to do whatever it can within reason to optimize its value, including but not limited to the monetization of certain assets.

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Cash flows

Cash flows from operating activities

The loss for Q2 2009 and the six-month period ended June 30, 2009 was mainly off-set by the changes in working capital items. During the second quarter ended June 30, 2009, cash flows generated by operating activities amounted to \$390,000 compared to utilisation of cash flows from operating activities of \$51,000 during the second quarter of 2008. During the six-month period ended June 30, 2009, net cash flows generated by operating activities amounted to \$156,000 compared to \$278,000 during the same period in 2008.

Cash flows from investing activities

Cash flows from investing activities did not vary significantly and result from the acquisition of tangible and other assets.

Cash flows from financing activities

Cash flows from financing activities have mainly varied as a result of the instalments made on long-term debt.

Financial instruments

The Company does not use derivatives.

Off-balance sheet transactions

The Company did not conduct any off-balance sheet transactions during the quarter.

Accounting changes

The impact of the adoption of new accounting rules is disclosed in note 2 to the interim financial statements.

Transition to International financial reporting standards ("IFRS")

The Company will be required to adopt IFRS for its interim and annual financial statements as of January 1, 2011. Accordingly, the Company, with its external auditors, is preparing a plan to convert its consolidated financial statements to IFRS. It has provided training to its key employees and is monitoring the impact of the transition on its business practices, systems and internal control over financial reporting.

At this time, the Company is performing a detailed analysis of the differences between IFRS and the Company's accounting policies as well as the impact of various alternatives. It is possible that some changes in accounting policies could be contemplated and could have an impact on the Company's consolidated financial statements.

The Company should be able to comply with the instructions of the Autorité des marchés financiers and the Canadian Institute of Chartered Accountants on the application dates stipulated by these entities.

Controls and procedures

In contrast to the requirements under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), ODESIA, as a Venture Issuer, does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, Management is not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

ODESIA's Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their review of the annual and interim financial statements and MD&A; to make a statement that the annual and interim filings do not contain any untrue statement of a material fact or omit to state a material fact; and to make a statement that the annual and interim financial statements together with the other financial information included in the annual and interim filings fairly present in all material respects the financial condition of ODESIA, and the results of operations and cash flows for the year or period then ended.

Investors should be aware that inherent limitations on the ability of ODESIA's Management to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk factors

The Company's business is generally subject to certain risks, which are described as follows:

Dependence on major customers

A limited number of customers have generated, in the past, a substantial share of the Company's operating revenues. Concentration of the Company's operating revenues from a limited number of customers can result in operating revenues and profits fluctuating appreciably from one quarter to the next. The Company expects that, in the foreseeable future, operating revenues attributable to a relatively limited number of customers will continue to represent a high percentage of its operating revenues, and nothing guarantees that the Company's customers, including its major customers, will continue to use its solutions or that they will continue to use them to the same extent as before. The loss of one or more of the Company's major customers, or a sizable reduction in their use of the Company's services and solutions, including a loss or reduction caused by factors beyond the Company's control, may have substantial adverse effects on the Company's activities, financial position and operating results. Furthermore, delays in recovering (or inability to recover) accounts receivable from one or other of the Company's major clients could have substantial adverse consequences on its liquidity or working capital.

Growth management and market development

The Company expects that its activities and the industry in which it is active will continue to evolve rapidly. The Company anticipates a sizable increase in its marketing efforts, in its ability to provide solutions and services to its customers in Canada and abroad, and in the number of persons it employs. If the Company experiences rapid growth, its ability to be profitable may depend on factors including its ability to manage large numbers of human resources and business intelligence projects simultaneously. Failure by Company executives to react effectively to technological change or business conditions and to manage these changes may have substantial adverse consequences on the Company's activities, financial position and operating results.

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The importance and cost of our workforce

The Company will rely on the services of its specialized employees and its management personnel. The loss of one of these persons could have a substantial adverse effect on the Company, its operating results and its financial position. The Company's success will depend largely on its continuous ability to identify, hire, train, motivate and retain its management employees, its specialized employees and its highly competent sales and marketing staff. Competition for its employees may be intense, and the Company cannot ensure that it will be able to attract specialized staff or highly competent management in the future. An inability to attract and retain management and technical staff along with the necessary sales and marketing employees could have an adverse effect on its future growth and profitability. The Company could be obliged to increase the compensation paid to current or new employees, producing a substantial increase in operating costs.

Competition and technological change

The Canadian and North American market for business intelligence specialists is dominated by companies of modest size. These companies generally specialize in a very tight area of activities, and very few of them offer complete services in this field. To stay at the leading edge of technology, the Company will have to develop a full range of solutions. Whether competition comes from new arrivals providing business intelligence solutions or from established companies, competition in the business intelligence industry from firms offering solutions similar to those that the Company will be offering is likely to increase in the coming years. Some of the Company's competitors may have financial, technical and marketing resources that could be significantly greater than what the Company possesses. Technological progress and the development of certain products or solutions by the Company's competitors could result in the Company's products or solutions becoming obsolete or in their usefulness to customers being reduced.

Uncertainty related to the information technologies market

The market for services the Company will be offering depends on economic conditions affecting the information technologies market, especially the market for business intelligence services. A weaker economy could result in customers cancelling or delaying orders for these services. In this context, customers could face financial difficulties, hold back on acquiring these services, postpone budgets for implementing solutions offered by the Company, or cease business. In turn, this situation could lead to longer sales cycles, delays or defaults in payment or collection, and price pressures that would result in lower income and lower margins for the Company.

Exchange rates

The Company's results may be affected by fluctuations in exchange rates between foreign currencies and the Canadian dollar. One of the Company's strategies is to grow outside Canada, and thus its income and expenses may be denominated in Canadian and foreign currencies, mainly U.S. and European, in varying proportions. Depending on exchange rate fluctuations, this may have an unfavourable or favourable effect on the Company's financial situation and operating results.

Further information concerning the Company is available on SEDAR's website (www.sedar.com).

Montreal, August 28, 2009

(Signed) Nicolas Bonnafous

Nicolas Bonnafous, President and Chief Executive Officer

(Signed) Simon Lepage

Simon Lepage, Chief Financial Officer

Company information

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Annual Report

Additional copies of the report may be obtained upon written request from:
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