

# ODESIA Group

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2010*

# MANAGEMENT'S REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS AND FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") reviews operational results of Group ODESIA Inc. ("the Company") for the nine-month period ended September 30, 2010. Statements contained herein aim to assist the reader to better understand the business of the Company, as well as 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 September 30, 2010, along with the Management's Discussion and Analysis for the year ended December 31, 2009, as well as the related audited, annual, consolidated financial statements. Except where 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 of 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 upon 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 third quarter ended September 30, 2010 have not been reviewed 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 November 24, 2010.

### Description of the Company's business

The Company has offered 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 to maximize their performance by experiencing the full potential of business-intelligence technology that 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 to expand its geographical coverage. Accordingly, on November 30, 2007, the Company acquired all of the outstanding shares of Resource IT, a firm based in Mexico that specializes in professional consulting services in information technology. In 2006 the Company acquired 70% of the outstanding shares of SAS BI Expert (renamed ODESIA Europe SAS), a French consulting firm in information technology that operates in Europe.

### Forward-looking statements

This analysis contains statements that are forward-looking. Such statements involve both known and unknown risks. 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, projections, expectations and opinions of the Company, which are all subject to risks, uncertainty and other factors over which the Company has, in many instances, no control. Future results may differ from those expected.

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### Highlights of the quarter

Highlights for the third quarter of 2010 follow:

- ODESIA realized net earnings of \$208,000 compared to \$24,000 during the same period last year; an increase of \$184,000 or 767%.
- The Company has generated earnings before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes of \$250,000. This represents an increase of \$142,000 or 131% from the \$108,000 realized during the same quarter last year.
- Sales of the Company have decreased by nearly \$369,000 or 11%; from \$3,218,000 in Q3 2009 to \$2,849,000 in Q3 2010.

### Selected financial information

#### *Earnings*

(\$000's except per share amounts)	For the three-month period ended September 30, (unaudited)		For the nine-month period ended September 30, (unaudited)	
	2010	2009	2010	2009
Sales	2,849	3,218	9,462	10,672
Earnings (loss) before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes	250	108	555	(98)
Net earnings (loss) and comprehensive income (loss)	208	24	223	(499)
Basic net earnings (loss) per share	0.007	0.001	0.008	(0.017)
Diluted net earnings (loss) per share	0.007	0.001	0.008	(0.017)

#### *Balance sheet*

(\$000's)	September 30, 2010 (unaudited)	December 31, 2009 (audited)
Total assets	5,251	5,170
Convertible debentures and long-term debt including short-term portions	845	847

### Operating Results

#### **Sales**

During the third quarter ended September 30, 2010 the Company posted revenues of \$2,849,000, compared to \$3,218,000 for the corresponding quarter in 2009, a decrease of \$369,000 or 11%. Sales realized with clients in Canada decreased by 69,000 or 5% from \$1,377,000 in the third quarter of 2009 to \$1,308,000 in the third quarter of 2010. Two major Canadian customers of the Company took advantage of the summer to revamp their BI projects which resulted in this temporary slowdown in sales in Q3 2010. Sales to clients located in France decreased by \$155,000 or 10% from \$1,551,000 in Q3 2009 to \$1,396,000 in Q3 2010. ODESIA Europe is gradually changing its sales mix from subcontracting to third parties to directly servicing clients. This change creates pressure on sales volume, but improves the margins realized in France. Operations in Mexico were negatively affected by the lack of a qualified management team: sales to clients in Mexico decreased by \$145,000 or 50% from \$290,000 in Q3 2009 to

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\$145,000 in Q3 2010. ODESIA has recently hired a new general manager in Mexico to reorganize the Mexican operations and to increase revenue. If short-term profitability is not realized, ODESIA will evaluate its strategic options in regards to its Mexican operations.

On an overall basis during the nine-month period ended September 30, 2010 the Company posted revenues of \$9,462,000, compared to \$10,672,000 for the corresponding period in 2009, a decrease of \$1,210,000 or 11%.

### **Costs of services provided, operating and administrative expenses**

The cost of services provided, operating and administrative expenses of the Company amounted to \$2,599,000 during the third quarter ended September 30, 2010 compared to \$3,110,000 during the corresponding quarter last year, a decrease of \$511,000 or 16%; the same operating and administrative costs for the nine-month period ended September 30, 2010 amounted to \$8,907,000 compared to \$10,770,000 during the corresponding period last year, a decrease of \$1,863,000 or 17%.

The cost of services provided includes wages of employees and the direct costs of contracts. Given that the Company is in the field of consulting, the cost of services provided is highly correlated to revenues. Compared to the equivalent period of 2009, operating gross margins for the three- and nine-month periods ended September 30, 2010 were impacted by various factors, including:

- The global economic crisis forced the Company to rationalize its worldwide operations which has resulted in important savings.
- At the end of June 2009, the Company authorized the Vice President of ODESIA Mexico to take an unpaid sabbatical leave for an undetermined period of time; he is not being replaced during this leave of absence.

Operating and administrative expenses for the current quarter and nine-month period ended September 30, 2010 were impacted by various factors, including:

- A rationalization that took place in 2009 following the global economic crisis decreased operating and administrative expenses in the first nine months of 2010 compared to the same period of 2009.
- The former general manager of ODESIA Mexico left the Company in April 2010. ODESIA Mexico hired its new general manager six months later in October 2010.

ODESIA's earnings before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes were \$250,000 and \$555,000 respectively for the third quarter and the nine-month period ended September 30, 2010, compared to earnings of \$108,000 and a loss of \$98,000 for the equivalent periods in 2009.

### **Amortization of tangible and intangible assets**

Amortization of tangible and intangible assets amounted to \$7,000 for the third quarter of 2010 (\$24,000 for the nine-month period ended September 30, 2010) compared to \$17,000 during the corresponding quarter last year (\$66,000 for the corresponding nine-month period last year), representing a \$10,000 decrease for the quarter (\$42,000 decrease for the nine-month period). This decrease in amortization is due to normal wear of aging computer equipment.

### **Financial expenses and foreign exchange**

Financial expenses and foreign exchange amounted to \$300 during the third quarter of 2010 compared to \$83,000 during the corresponding quarter last year; a \$83,000 or 100% decrease. In comparison to Q3 2009, in Q3 2010 the convertible debentures, long-term debt and the factoring were lower which generated a \$17,000 decrease in interest expense. In addition, ODESIA realized a \$83,000 gain on foreign exchange during the three-month period ended September 30, 2010 compared to a gain of \$43,000 during the same period in 2009, a \$40,000 increase.

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The financial expenses and foreign exchange amounted to \$273,000 for the nine-month period ended September 30, 2010 compared to \$365,000 for the nine-month period ended September 30, 2009; this represents a \$92,000 or 25% decrease. For reasons explained above, ODESIA realized a \$70,000 decrease in interest expense in the first nine months of 2010 compared to the same period last year.

### Net earnings (loss)

Net earnings for the third quarter ended September 30, 2010 amounted to \$208,000 or \$0.007 per share, compared to \$24,000 or \$0.001 per share during the third quarter of 2009; an increase of \$184,000 or 768%. The net earnings for the nine-month period ended September 30, 2010 amounted to \$223,000 or \$0.008 per share, compared to a net loss of \$499,000 or \$0.017 per share during the same period of 2009.

### Quarterly data (unaudited)

The following table is a summary of certain information on the Company's last eleven quarters:

	Q1 March 31	Q2 June 30	Q3 September 30	
<b>2010</b>	\$	\$	\$	
Sales	3,346,827	3,265,305	2,849,410	
Net earnings and comprehensive income	3,782	10,930	208,066	
Basic and diluted net earnings per share	0.000	0.000	0.007	
	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
<b>2009</b>	\$	\$	\$	\$
Sales	3,996,600	3,456,999	3,218,018	3,491,102
Net earnings (loss) and comprehensive income (loss)	(17,144)	(506,052)	23,971	28,004
Basic and diluted net earnings (loss) per share	(0.001)	(0.017)	0.001	0.001
	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
<b>2008</b>	\$	\$	\$	\$
Sales	4,236,038	4,270,627	4,350,008	4,278,091
Net loss and comprehensive loss	(217,671)	(1,198,982)	(132,077)	(1,458,505)
Basic and diluted net loss per share	(0.008)	(0.043)	(0.005)	(0.049)

ODESIA's sales were stable from quarter to quarter in 2008. Integration challenges of the acquisitions made in 2006 and 2007 explain the increase in net loss over 2008 and the first semester of 2009. In response to tough economic conditions in 2009, the Company's clients re-examined the timing of their investment strategies and restructured spending to address cash and margin challenges. Such cautious action resulted in lowered, or deferred, IT spending that negatively affected ODESIA's revenue in 2009 and into the first three quarters of 2010. The Company restructured its cost base and continuously pursued new contract wins, renewals and extensions as evidenced by the gradual improvement in net earnings after the first semester of 2009.

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Certain factors causing quarterly variances may not reflect the Company's future performance. First, quarterly performance is impacted by occurrences, such as vacations and statutory holidays, in any given quarter. Second, workflow from some clients may fluctuate from quarter to quarter based on their business cycle or seasonality.

In general, cash flows from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients or the timing of the reimbursements for tax credits.

Foreign-exchange fluctuations also contribute to quarterly variances which are likely to increase as the percentage of revenue in foreign-currency changes. From a margin perspective ODESIA benefits from a natural hedge against currency fluctuations.

### Outstanding shares

Information relating to shares outstanding as at November 24, 2010 is summarized in the table below:

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Outstanding shares	<b>29,620,286</b>
Stock Options outstanding	<b>1,060,000</b>
Warrants outstanding	<b>350,000</b>
Shares outstanding on a diluted basis	<b>31,030,286</b>

In addition the convertible debentures could also be converted into 1,818,750 shares and 909,375 warrants based on a conversion price of \$0.40 as at November 24, 2010.

### Balance sheet

Current assets amounted to \$3,829,000 as at September 30, 2010 compared to \$3,726,000 as at December 31, 2009, an increase of \$103,000. This increase was caused primarily by an increase in accounts receivable which was slightly reduced by a decrease in cash. The accrued 2010 tax credit explains the increase in accounts receivable.

The Company's total assets amounted to \$5,251,000 as at September 30, 2010, compared to \$5,170,000 as at December 31, 2009, an increase of \$81,000. The increase in current assets described in the previous paragraph explains this increase in total assets.

Current liabilities amounted to \$3,752,000 as at September 30, 2010, compared to \$4,354,000 as at December 31, 2009, a decrease of \$602,000. This is attributable mainly to the refinancing of one of Resource IT's bank loans on a long-term basis, to the decrease in accounts payable and accrued liabilities, deferred revenue and instalments on long-term debt.

### Liquidity and capital resources

As at September 30, 2010, the Company had cash amounting to \$173,000, compared to \$294,000 as at December 31, 2009. Working capital as at September 30, 2010 was \$77,000 compared to negative \$629,000 as at December 31, 2009. Based on its internal financial projections, ODESIA expects cash flows from operations to be sufficient to meet its liquidity needs in the next twelve months. It currently has no additional credit available aside from the bank loans which are not used up to the maximum amount authorized. The Company used its convertible debentures moratorium in July 2009. This moratorium allowed the Company to benefit of a twelve-month capital payment holiday on its convertible debentures.

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As at September 30, 2010, the Company did not meet the financial ratios required by its banks (see note 8 in the Company's consolidated financial statements), attributable largely to the net loss incurred in 2008 and to the liabilities incurred to allow the acquisition of customer contracts of approximately \$1.5 million and the acquisition of Resource IT. In April 2010 Resource IT refinanced one of its bank loans on a long-term basis. The Company's ability to realize its assets and discharge its liabilities depends on continued support from its lenders and shareholders. The Company's management is also seeking additional funding (\$1,500,000 to \$5,000,000) but assurance exists 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. These funds would be used to improve the working capital of the Company, and to ensure it can undertake selective acquisitions if attractive opportunities arise. The Company 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.

### **Cash flows**

#### **Cash flows from operating activities**

After adjustments for non-cash items, such as amortization of tangible assets, implicit interest, stock-based compensation and changes in working capital items, the operating activities generated \$129,000 of cash flow during the third quarter ended September 30, 2010, compared to \$51,000 during the same period one year earlier. During the nine-month period ended September 30, 2010, operating activities utilized \$101,000 of cash flow, while \$206,000 was generated during the same period one year earlier.

#### **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 convertible debentures, long-term debt and the variation in bank indebtedness.

### **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**

#### **Recently adopted accounting pronouncements**

No new accounting policies came into effect during the current period.

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### **Transition to International financial reporting standards ("IFRS")**

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 must present its interim and annual financial statements for fiscal 2011 according to IFRS.

The Company has established a changeover plan for conversion to these new standards according to the timetable set for these new rules. Quarterly updates are provided to the Audit, Human Resources and Corporate Governance Committee. The implementation plan includes three phases:

- an initial assessment of impacts and a definition of their scope which involve a high-level review of differences between current Canadian GAAP and IFRS, as well as a review of the alternatives available on adoption – *completed in Q4 2009*;
- an analysis of the repercussions which encompass a detailed, impact assessment addressing differences between Canadian GAAP and IFRS. Deliverables from this phase include documentation of the rationale supporting initial accounting policy choices, new disclosure requirements, and a quantification of any impacts. As implications of the transition and conversion were identified, the impacts on the other key elements of ODESIA's conversion plan were also assessed. These elements included information technology changes, education and training requirements, impacts on business activities, and changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures. No material impacts are expected – *to be completed in Q4 2010*;
- a design, implementation and review will include the following deliverables: i) adjusting or redesigning of appropriate systems and processes; ii) updating or developing any accounting policies, disclosure controls and procedures, and internal controls over financial reporting; as well as iii) the parallel run of ODESIA's comparative year financial statements with Canadian GAAP. Working jointly with its external auditors, ODESIA will conduct an assurance engagement addressing its opening financial position upon conversion – *to be completed in Q4 2010*.

IFRS 1 requires that first-time adopters select accounting policies in compliance with each IFRS effective at the end of the Company's first IFRS reporting period and the Company must apply those policies to all periods presented in their first IFRS financial statements. The general requirement of IFRS 1 is full retrospective application of all accounting standards; however, certain exceptions and exemptions are available. The Company is currently completing the assessment of these exceptions and exemptions and information will be provided as we move towards the changeover date.

The Company has completed its assessment of the following standards outlined below. This assessment was based on existing standards and the current economic context and could be modified before the changeover date. ODESIA will continue to monitor and to adjust for any movements in the standards to ensure that the reader is kept apprised of developments. Also, the information to follow is a high-level summary only of major impacts.

#### **Property Plant and Equipment**

ODESIA assessed IFRS against its current GAAP and at this time it does not see a major impact to its financial statements outside of additional disclosure. Management will continue to use historical cost as its measurement basis and, in addition, indicators of impairment will be assessed at the transition date, and annually thereafter, if there is a triggering event. Finally, from a system perspective, no significant items need to be addressed in the design phase.

#### **Financial Instruments**

ODESIA does not foresee any material impact in terms of accounting and disclosure. There are certain differences between current GAAP and IFRS standards for the definition of the classification of financial assets and liabilities, but these minor differences should not impact the Company's current classification under Canadian GAAP.

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### **Consolidation**

The Company does not expect any material impact to its financial statements. Uniform accounting policies and reporting periods are applied throughout ODESIA's consolidated group under current GAAP.

### **Foreign Exchange**

The Company also has assessed IFRS against its current GAAP for the foreign-exchange section and does not foresee material differences to its financial statements. Functional currencies have been reassessed for each of ODESIA's entity, and translation concepts have been reviewed with no adjustments expected.

### **Provisions**

ODESIA is expecting some impact in terms of the discount rate to be used to measure long-term liabilities, but it is not expected to be material to the Company. The Company will need to enhance its disclosure of provisions based on its assessment of classes. Even if the thresholds for the recognition and measurement criteria have been lowered under IFRS, ODESIA does not expect to have a material impact in its financial statements.

### **Business Combinations**

IFRS 3, Business Combinations, may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. We will not elect to retrospectively apply IFRS 3 to business combinations that occurred prior to the transition date and such business combinations will not be restated. Any goodwill arising on such business combinations before the transition date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions except as required under IFRS 1.

### **Impairments**

Impairments are addressed under IAS 36 and will impact the Company. As opposed to current GAAP, impairments are conducted in one step, using asset-specific discount rates. In addition, when profiling future cash flows of an asset, certain limitations exist in terms of what can be included. With more restrictive guidance under IFRS, there is a higher probability of asset impairment. However, provisions under IFRS exist for a subsequent reversal of these impairment charges. ODESIA does not expect to have a material impact in its financial statements.

### **Share-based Payments**

With respect to compensation costs for stock options, IFRS requires the use of the graded vesting method for grants with vesting periods greater than one year. Currently, ODESIA accounts for the costs under the straight-line method for GAAP. This change of method will not have a major system impact upon transition. ODESIA will need to retroactively apply IFRS to any unvested grant options. As with other sections, the Company will also expand its disclosure to meet IFRS standards.

### **Presentation**

The presentation section is addressed through many International Accounting Standards, most of which do not have significant differences from GAAP today. Certainly, as outlined in all sections, additional disclosure will be required in notes to financial statements. In certain cases, a shifting of information will occur between the notes and the face of the financial statements. Under IFRS, ODESIA is obliged to present a separate Statement of Equity, while the Statement of Retained Earnings will be discontinued. With respect to its reportable segment disclosure, ODESIA does not envision any differences from its current presentation.

In reviewing its policy choices, ODESIA does not currently see any material impact on its key performance measures outside of any impacts identified above. As for debt covenants, the IFRS policies the Company has chosen to date do not materially change any financial statement item included in their calculations.

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## **Information Technology and Data Systems**

To date the Company did not identify any material system impact as we convert to IFRS.

## **Internal Controls over Financial Reporting**

The Company has concluded that internal controls applicable to our reporting processes under current GAAP are fundamentally the same as those required in our IFRS reporting environment. During fiscal 2011, special attention will be given to the effectiveness of controls during our transition year.

## **Disclosure Controls and Procedures**

The Company will be designing appropriate procedures and controls to ensure additional information can be gathered and reported upon. As communicated earlier, our financial statement note disclosures will be expanded. ODESIA is also producing a draft of its first set of interim financial statements under IFRS.

Documentation will be amended in all areas including accounting policies and processes will be developed for the production of asset or liability specific discount rates.

## **Business Processes**

Over the past few months, training has been targeted to provisions and asset impairments.

We are currently assessing the implications of IFRS to our debt covenants, but do not expect important impacts at that level.

## **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 or 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 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 state that the annual and interim financial statements combined with the other financial information included in the annual and interim filings present fairly 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.

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## **Risk factors**

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

### **Dependence on major customers**

A limited number of customers has 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. A loss of one or more major customer, or a substantial 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 or operating results. Furthermore, delays in recovering (or an inability to recover) accounts receivable from one or more of the Company's major clients could have 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 sizeable 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 simultaneously large numbers of human resources and business-intelligence projects. Failure by Company executives to react effectively to technological change or business conditions and to manage change may have substantial adverse consequences on the Company's activities, financial position or operating results.

### **The importance and cost of its 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 or its financial position. The Company's success will hinge 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 employees may be intense, and the Company cannot ensure that it will 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 affect on future growth or profitability. The Company could be obliged to increase compensation paid to current or new employees, producing a substantial increase in operating costs.

### **Competition and technological change**

The North American market for business-intelligence specialists is dominated by companies of modest size. These companies generally specialize in narrowly defined areas, and few offer complete services. To stay at the leading edge of technology, the Company will have to develop a full range of solutions. Whether competition comes from new entrants providing business-intelligence solutions or established players, competition in the business-intelligence industry from firms offering solutions similar to those of the Company is likely to increase. Some of the Company's competitors may have financial, technical or marketing resources 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.

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### **Uncertainty related to the information technologies market**

The market for services offered by the Company depends on economic conditions affecting the information technologies market, especially business-intelligence services. A weaker economy could result in customers' cancelling or delaying orders for 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 operations. 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 or 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 of 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](http://www.sedar.com)).**

Montreal, November 24, 2010

*(Signed) Nicolas Bonnafous*

Nicolas Bonnafous, President and Chief Executive Officer

*(Signed) Simon Lepage*

Simon Lepage, Chief Financial Officer

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## *Company information*

### *Directors*

**Nicolas Bonnafous**  
Boucherville (Quebec), Canada

**Michael Perrault**  
Dollard des Ormeaux (Quebec), Canada

**Timothy R. Murdoch**  
Westmount (Quebec), Canada

**Richard Batty**  
Westmount (Quebec), Canada

### *Officers*

**Nicolas Bonnafous, President and Chief Executive Officer**  
Boucherville (Quebec), Canada

**Simon Lepage, Chief Financial Officer**  
Candiac (Quebec), Canada

**Denise Goncalves, Vice-President business development**  
Verdun (Quebec), Canada

**Jacques Daigle, General Manager, ODESIA Europe**  
Argenteuil, France

**Jose Antonio Torrero Diez, General Manager,  
ODESIA Mexico, Queretaro (Queretaro), Mexico**

### *Transfer Agent and Registrar*

Computershare Investor Services Inc.  
1500 University Street  
Suite 7001  
Montreal, Quebec  
H3A 3S8

### *Legal Counsel*

McCarthy Tétrault LLP

### *Listings*

TSX Venture Exchange  
Ticker: ODS

**Cusip: 675848105**

### *Auditors*

Raymond Chabot Grant Thornton LLP

### *Annual Report*

Additional copies of the report may be obtained upon written request from:  
ODESIA Group Inc.  
1155 University  
Suite 800  
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