

# ODESIA Group

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009*

## 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, 2009. The statements contained herein aim to assist the reader to better understand the business of the Company, as well as 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 September 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 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 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 third quarter ended September 30, 2009, 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 25, 2009.

### 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. 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 to expand its geographical coverage. Accordingly, on November 30, 2007, the Company acquired all of the outstanding shares of Resource IT (renamed Odesia Mexico); a firm based in Mexico and specialized in providing 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 operating in Europe.

### Forward-looking statements

This analysis contains statements that are forward-looking in nature. 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.

# MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

## Highlights of the quarter

Highlights of the third quarter of 2009 are as follows:

- ODESIA realized net earnings of \$24,000 in the third quarter ended September 30, 2009 compared to a net loss of \$132,000 during the same period last year. It represents ODESIA's first profitable quarter since December 2006.
- The sales of the Company have decreased by nearly \$1,132,000 or 26%, from \$4,350,000 in Q3 2008 to \$3,218,000 in Q3 2009. This decrease in sales is the result of the economic crisis on the worldwide operations.
- In Q3 2009, ODESIA had an amortization expense of tangible and intangible assets totalling \$17,000, a decrease of 90% or \$150,000 compared to the corresponding quarter last year. This decrease in amortization expense is due to write-offs, during fiscal year 2008, of intangible assets.
- The recent renewal of the Company's board of directors, combined with the low market price of ODESIA's stock, lead to a positive adjustment of approximately \$102,000 to the deferred share unit plan expense.
- Following an assessment by the Mexican government of the payroll deductions payable, a provision of \$91,000 (1,146,000 pesos) was recorded in Q3 2009.
- ODESIA realized a gain on foreign exchange of \$43,000 during the third quarter of 2009 compared to a loss on foreign exchange of \$95,000 during the same quarter in 2008.

## Selected financial information

### *Earnings*

| (\$000's except per share amounts)  | For the three-month period<br>ended September 30,<br>(unaudited) |         | For the nine-month period<br>ended September 30,<br>(unaudited) |         |
|---|--|---------|---|---------|
|   | 2009   | 2008    | 2009  | 2008    |
| Sales   | <b>3,218</b>   | 4,350   | <b>10,672</b>   | 12,857  |
| Earnings (Loss) before amortization of<br>tangible and intangible assets, financial<br>expenses, and income taxes | <b>108</b>   | 195     | <b>(98)</b>   | 99      |
| Net earnings (loss) and comprehensive<br>income (loss)  | <b>24</b>  | (132)   | <b>(499)</b>  | (1,549) |
| Basic and diluted net earnings (loss) per<br>share  | <b>0.001</b>   | (0.005) | <b>(0.017)</b>  | (0.055) |

### *Balance sheet*

| (\$000's)                             | September 30, 2009<br>(unaudited) | December 31, 2008<br>(audited) |
|---------------------------------------|-----------------------------------|--------------------------------|
| Total assets                          | <b>5,787</b>                      | 6,333                          |
| Installments on long-term liabilities | <b>50</b>                         | 333                            |
| Long-term liabilities                 | <b>784</b>                        | 629                            |

## Operating Results

### Sales

During the third quarter ended September 30, 2009 the Company posted revenues of \$3,218,000, compared to \$4,350,000 for the corresponding quarter in 2008, a decrease of \$1,132,000 or 26%. During the nine-month period ended September 30, 2009 the Company posted revenues of \$10,672,000, compared to \$12,857,000 for the corresponding period in 2008, a decrease of \$2,185,000 or 17%. This decrease in sales affecting worldwide operations was caused primarily by the global economic crisis. The sales realized with clients located in Canada decreased from \$1,595,000 in Q3 2008 to \$1,377,000 in Q3 2009; a \$219,000 or 14% decrease. However, operations in France and Mexico were even more negatively affected by the financial crisis. The sales to clients located in France decreased by \$419,000 or 21% from \$1,971,000 in the third quarter of 2008 to \$1,551,000 in the same period of 2009. Meanwhile, the sales to clients located in Mexico decreased by \$494,000 or 63% from \$784,000 in Q3 2008 to \$290,000 in Q3 2009. ODESIA reorganized its sales force in Mexico earlier this year to correct the situation and expanded its offering toward a wider range of services. Even though we currently see encouraging signs of recovery in the Mexican market, the recovery is slower than originally expected by ODESIA, and management is now investigating other potential solutions.

Given the current economic conditions, there is increased risk that past performance, especially in sales, may not be indicative of the future. However, based on the current sales pipeline, ODESIA is confident it will be able to at least maintain its Q3 2009 sales level for the last quarter of fiscal year 2009. If faced with a decrease in client's demand for services, 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 \$3,110,000 during the third quarter ended September 30, 2009 compared to \$4,155,000 during the corresponding quarter last year, a decrease of \$1,045,000 or 25%. Similarly, the cost of services provided, operating and administrative expenses of the Company amounted to \$10,770,000 for the nine-month period ended September 30, 2009 compared to \$12,758,000 during the corresponding period last year, a decrease of \$1,988,000 or 16%.

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 consulting, the cost of services provided is highly correlated to revenues. Compared to the equivalent period of 2008, operating gross margins during the three and nine-month periods ended September 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 which persisted in Q3 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 is resulting in important cost 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.
- Following an assessment by the Mexican government of the payroll deductions payable, a provision of \$91,000 (1,146,000 pesos) was recorded in Q3 2009.
- A government grant of \$54,000 was received in the first semester of 2009 to allow ODESIA to train its Canadian employees during the slowdown in operations related to the financial crisis.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

Compared to the third quarter of 2008, and the nine-month period ended September 30, 2008, operating and administrative expenses of the equivalent periods in 2009 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 nine months of 2009 than it did in the equivalent period in 2008.
- The recent renewal of the Company's board of directors combined with the low market price of ODESIA's stock lead to a positive adjustment of approximately \$102,000 to the deferred share unit plan expense.

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

Amortization of tangible and intangible assets amounted to \$17,000 for the third quarter of 2009 (\$66,000 for the nine-month period ended September 30, 2009) compared to \$168,000 during the corresponding quarter last year (\$608,000 for the corresponding nine-month period last year); a \$150,000 decrease (\$542,000 decrease for the nine-month period). This decrease in amortization expense is mainly due to the write-offs, during fiscal year 2008, of intangible assets.

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

Financial expenses and foreign exchange amounted to \$83,000 during the third quarter of 2009 compared to \$226,000 during the corresponding quarter last year; a \$143,000 or 63% decrease. In comparison to Q3 2008, there has been in 2009 a decrease in the interest rates and the long-term debt is lower; however, ODESIA has had a new convertible debenture since July 2008. All of these elements combined to generate a \$10,000 decrease in interest expense in Q3 2009 compared to Q3 2008. Therefore, most of the decrease in financial expenses and foreign exchange mentioned above is mainly attributable to the fact that ODESIA realized a \$43,000 gain on foreign exchange during the three-month period ended September 30, 2009 compared to a loss of \$95,000 during the same period last year.

For the same reasons, the financial expenses and foreign exchange amounted to \$365,000 for the nine-month period ended September 30, 2009 compared to \$425,000 for the nine-month period ended September 30, 2008; this represents a \$59,000 or 14% decrease.

### **Net loss**

Net earnings for the third quarter ended September 30, 2009 amounted to \$24,000 or \$0.001 per share, compared to a net loss of \$132,000 or \$0.005 per share during the third quarter of 2008. The net loss for the nine-month period ended September 30, 2009 amounted to \$499,000 or \$0.017 per share, compared to \$1,549,000 or \$0.055 per share during the same period of 2008.

Last year, the net loss for the nine-month period ended September 30, 2008 included a \$1,010,000 write-off of a portion of the intangible assets.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

### Quarterly data (unaudited)

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

| (\$000's except per share amounts)                  | Q1       | Q2      | Q3           |
|---|----------|---------|--------------|
|   | March 31 | June 30 | September 30 |
| <b>2009</b>   | \$       | \$      | \$           |
| Sales   | 3,997    | 3,457   | 3,218        |
| Net earnings (loss) and comprehensive income (loss) | (17)     | (506)   | 24           |
| Basic and diluted net earnings (loss) per share     | (0.001)  | (0.017) | 0.001        |

| (\$000's except per share amounts)   | Q1       | Q2      | Q3           | Q4          |
|--------------------------------------|----------|---------|--------------|-------------|
|                                      | March 31 | June 30 | September 30 | December 31 |
| <b>2008</b>                          | \$       | \$      | \$           | \$          |
| 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       | Q2      | Q3           | Q4          |
|--------------------------------------|----------|---------|--------------|-------------|
|                                      | March 31 | June 30 | September 30 | December 31 |
| <b>2007</b>                          | \$       | \$      | \$           | \$          |
| 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)     |

ODESIA's growth-by-acquisition strategy resulted in the increase in sales between the quarters of 2007 and 2008; integration challenges of this strategy explain the increase in net loss over this same period. 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 actions resulted in lowered, or deferred, IT spending which affected ODESIA's revenue level. The Company responded to this challenge by restructuring its cost base and continuously pursuing new contract wins, renewals and extensions as observed in the gradual improvement in net earnings (net loss) since the first quarter of 2009.

There are factors causing quarterly variances which may not be reflective of the Company's future performance. First, quarterly performance is impacted by occurrences such as vacations and the number of statutory holidays in any given quarter. Second, the workflow from some clients may fluctuate from quarter to quarter based on their business cycle or the seasonality of their own operations.

In general, cash flow from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients, and the timing of the reimbursements for various 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.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

### Outstanding shares

Information relating to shares outstanding as at November 26, 2009 is summarized in the table below:

|                                       |            |
|---------------------------------------|------------|
| Outstanding shares                    | 29,620,286 |
| Stock Options outstanding             | 435,000    |
| Warrants outstanding                  | 350,000    |
| Shares outstanding on a diluted basis | 30,405,286 |

In addition, the convertible debentures could also be converted into 1,818,750 shares and 909,375 warrants.

### Balance sheet

Current assets amounted to \$4,271,000 as at September 30, 2009 compared to \$4,790,000 as at December 31, 2008, a decrease of \$519,000. 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 Q3 2009 compared to Q4 2008 explains the decrease in accounts receivable and contracts in progress. The research tax credit recoverable was collected in the second quarter ended June 30, 2009.

The Company's total assets amounted to \$5,787,000 as at September 30, 2009, compared to \$6,333,000 as at December 31, 2008; a decrease of \$546,000. This is mainly explained by the decrease in current assets described in the previous paragraph.

Current liabilities amounted to \$4,843,000 as at September 30, 2009, compared to \$5,052,000 as at December 31, 2008, a decrease of \$209,000. 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 September 30, 2009, the Company had cash amounting to \$417,000, compared to \$370,000 as at December 31, 2008. Working capital as at September 30, 2009 was negative \$572,000 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. The Company used its convertible debenture's moratorium in July 2009. This moratorium allows the Company to benefit of a twelve-month capital payment holiday on its convertible debenture.

As at September 30, 2009, 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 (now known as ODESIA Mexico). In addition, ODESIA Mexico was unable to fulfill its repayment obligations in September 2009. Approximately \$500,000 shall be required to fulfill these obligations. The Company is currently in negotiation with the lender concerned by this repayment default to refinance this debt on a long-term basis. 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 also currently looking to obtain additional funding (between \$2,000,000 and \$5,000,000) 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. These funds would be used to improve the working capital of the Company, and to ensure it can undertake selective acquisitions if great opportunities are identified. 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.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

### **Cash flows**

#### *Cash flows from operating activities*

After the adjustments for non-cash items such as amortization of tangible assets, implicit interest and changes in working capital items, the operating activities generated cash flows of \$51,000 during the third quarter ended September 30, 2009 and cash flows of \$206,000 during the nine-month period ended September 30, 2009.

In comparison, during the third quarter of 2008, operating activities utilised \$1,402,000 of cash flows and the operating activities for the nine month period ended September 30, 2008 utilised \$1,124,000 of cash flows.

#### *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*

For the three-month and nine-month periods ended September 30, 2009, cash flows from financing activities have mainly varied as a result of the instalments made on long-term debt and the variation in bank indebtedness.

For the same periods ended one year earlier, on September 30, 2008; cash flow from financing activities had varied as a result of the July 21, 2008, private placement which generated positive cash inflows following the issuance of the convertible debenture, shares and warrants. This private placement offset the variances caused by the instalments made on long-term debt during these periods.

### **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**

##### *Goodwill and intangible assets*

In February 2008, the CICA published Section 3064, "Goodwill and Intangible Assets". This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This Section is effective for fiscal years beginning on or after October 1, 2008. This section has no impact on the Company's financial results. The Company adopted this section on January 1, 2009.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

### *Credit risk and the fair value of financial assets and financial liabilities*

On January 20, 2009, the Emerging Issues Committee of the CICA approved abstract No. 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" (EIC-173), which clarifies that an entity's own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities. EIC 173 was applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. This abstract has no impact on the Company's financial results. The Company adopted the provisions of EIC 173 in its fair value determination since March 31, 2009.

### **Accounting pronouncements not yet implemented**

#### *Business combinations, consolidated financial statements and Non-controlling Interests*

In January 2009, the CICA issued Section 1582, "Business Combinations" ("CICA 1582"), concurrently with Sections 1601, "Consolidated Financial Statements" ("CICA 1601") and 1602, "Noncontrolling Interests" ("CICA 1602"). CICA 1582, which replaces Section 1581, "Business Combinations", establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is currently evaluating the effects of adopting these changes.

#### *Financial Instruments – Disclosures*

In June 2009, Section 3862, « Financial Instruments – Disclosures » of the CICA Handbook, was amended to include additional disclosure requirements regarding fair value measurements of financial instruments and to broaden liquidity risk disclosure requirements.

For fair-value measurements recognized in the balance sheet, an entity shall notably disclose for each class of financial instruments:

- The level in the fair-value hierarchy into which the fair-value measurements are categorized in their entirety, segregating fair value measurements in accordance with the following levels:
  - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2: inputs other than quoted prices included in level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived form prices);
  - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs);

For liquidity-risk disclosures, it is now required that an entity disclose a quantitative maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) and a quantitative maturity analysis for derivative-financial liabilities. The latter analysis shall include the remaining contractual maturities if these are essential for an understanding of the timing of the cash flows. A description of how it manages the liquidity risk inherent in the previous items is still required.

Amendments to Section 3862 apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity needs not to provide comparative information for the disclosures required by the amendments. Earlier adoption is permitted. This section only addresses disclosure requirements and is not expected to have any impact on the Company's financial results.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

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

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Company will report under IFRS for its interim and annual financial statements for the fiscal year ending December 31, 2011. The Company is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Company's accounting policies, and assessing their impact on the Company's consolidated financial statements. Accordingly, at this time, it is not possible to reasonably determine the impact of this anticipated accounting change on the Company's consolidated financial results and position.

### **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 will have to 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. The implementation plan includes three main phases:

- initial assessment of impacts and definition of their scope – to be completed in Q4 2009
- analysis of the repercussions and design – to be completed in Q1 2010
- implementation and review – to be completed over Q2, Q3 and Q4 2010

In its preliminary comparative analysis of IFRS and Canadian GAAP, the Company detected differences. At this time, the impacts on the financial position and future operating results cannot be established or estimated in a reasonable way. The Company continues its review of standards applicable to ODESIA and is currently assessing these impacts.

### **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 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 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 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 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 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 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 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 change may have substantial adverse consequences on the Company's activities, financial position or operating results.

#### *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 narrowly defined areas, and 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 established players, 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 or 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.

## MANAGEMENT REPORT FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

---

### *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 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 26, 2009

*(Signed) Nicolas Bonnafous*

Nicolas Bonnafous, President and Chief Executive Officer

*(Signed) Simon Lepage*

Simon Lepage, Chief Financial Officer

## *Company information*

### *Directors*

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

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

**Timothy R. Murdoch**  
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

**Guillaume Bédard, Vice-President Professional Services**  
Longueuil (Quebec), Canada

**Olivier Rocher, Vice-President Solutions & Innovation**  
Pointe-Claire (Quebec), Canada

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

**Alfredo Pina Cedillo, General Manager, Odesia Mexico**  
Querétaro (Querétaro), 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  
Chartered Accountants

### *Annual Report*

Additional copies of the report may be obtained upon written request from:  
ODESIA Group Inc.  
1155 University  
Suite 800  
Montreal, Quebec  
H3B 3A7  
Fax: (514) 876-1153  
E-mail: [nbonnafous@odesia.com](mailto:nbonnafous@odesia.com)

### *Head Office*

ODESIA Group Inc.  
1155 University  
Suite 800  
Montreal, Quebec  
H3B 3A7

Telephone: (514) 876-1155  
Fax: (514) 876-1153