

ODESIA Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED JUNE 30, 2008

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, 2008. 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, 2008. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). 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, 2008, 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 28, 2008.

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. It has adopted the mission of supporting its customers in the design and implementation of a decision support infrastructure contributing to a clear vision of their business strategy. The Company helps companies 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 Odésia Europe SAS), a French consulting firm in information technology operating in Europe.

Highlights of the quarter

Highlights of the second quarter of 2008 are as follows:

- The Company has recorded a growth in revenues of over \$417,000 or 10.8% compared to the corresponding quarter last year.
- Earnings before amortization of tangible and intangible assets, financial expenses, income taxes and non-controlling interest have been negatively impacted by the following non-recurring events: employment severance expense, higher professional fees than expected related to the acquisition of Resource IT & customer contracts, retention bonuses paid to key employees.
- Important loss caused by the write-off of intangible assets following the implementation of the rationalization plan of the company

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

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.

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)	
	2008	2007	2008	2007
Revenues	4,271	3,854	8,507	6,416
Earnings (loss) before amortization of tangible and intangible assets, financial expenses, income taxes and non- controlling interest	(168)	204	(96)	127
Net loss and comprehensive income	(1,199)	(6)	(1,417)	(116)
Basic and diluted loss per share	(0.043)	(0.000)	(0.051)	(0.005)

Balance sheet

(\$000's)	June 30, 2008 (unaudited)	December 31, 2007 (audited)
Total assets	8,593	9,701
Long-term liabilities	402	511
Working capital ratio	0.87	0.94

Operating Results

Operating revenues

During the second quarter ended June 30, 2008 the Company posted revenues of \$4,271,000, compared to \$3,854,000 for the corresponding quarter in 2007, an increase of \$417,000 or 10.8%. During the six-month period ended June 30, 2008 the Company posted revenues of \$8,507,000, compared to \$6,416,000 for the corresponding period in 2007, an increase of \$2,091,000 or 32.6%. This increase in revenue is attributable to the \$1,787,000 in sales of the Mexican subsidiary Resource IT; Odesia did not have any comparable operations in the corresponding period of 2007. This increase in sales is also explained by a strong growth both locally and internationally during Q1 2008 compared to Q1 2007.

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

Costs of services provided, operating and administrative expenses

The cost of services provided, operating and administrative expenses of the company amounted to \$4,438,000 during the second quarter ended June 30, 2008 compared to \$3,650,000 during the corresponding quarter last year, an increase of \$788,000 or 21.6%. Similarly, the cost of services provided, operating and administrative expenses of the company amounted to 8,602,000 for the six-month period ended June 30, 2008 compared to \$6,289,000 during the corresponding period last year, an increase of \$2,313,000 or 36.8%.

The cost of services provided includes mainly 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 2007, operating gross margins during the three and six-month periods ended June 30, 2008 were impacted by various factors, including:

- The overall placement rate of resources was lower than during the second quarter last year. This has been slightly offset by an increase in the average billing rate.
- The operating gross margins generated by Resource IT in Mexico have generally impacted positively the consolidated gross margins.
- Retention bonuses were paid to key employees during the second quarter of 2008. No similar bonus was paid in 2007.
- The decrease in the government tax credits also impacted the consolidated gross margin.

Tax credits for the area of Montreal E-commerce zone recognized in the results of the subsidiary Odésia Solutions amounted to \$242,446 during the second quarter of 2007 (\$484,550 for the six-month period), compared to nil this current quarter and six-month period. This tax credits program ended on December 31, 2007. However, in its March 13, 2008 budget, the Quebec government introduced a new tax measure, effective immediately, for the development of e-business, aiming to consolidate the development of information technology throughout Quebec. This measure allows eligible companies to obtain a refundable tax credit until December 31, 2015. The refundable tax credit is equal to 30% of salaries paid to eligible employees up to \$20,000 per employee annually. Management estimates that the Company will be eligible for this new measure. Accordingly, a \$180,000 tax credit was recorded for the second quarter ended June 30, 2008 (\$217,500 for the six-month period).

Compared to the second quarter of 2007, and the six-month period ended June 30, 2007, operating and administrative expenses of the current quarter were impacted by various factors, including:

- The operating and administrative expenses of Resource IT were nil during the corresponding quarter last year.
- An employment severance expense was incurred in Q2 2008; no similar expense in Q2 2007.
- Higher professional fees related to the acquisition of Resource IT & customer contracts.

Financial expenses and foreign exchange amounted to \$120,943 during the second quarter of 2008 compared to \$136,011 during the corresponding quarter last year. This decrease is due to the fact that important fluctuations in the various exchange rates in which Odesia trades created a foreign exchange loss of \$127,000 during Q2 2007 compared to a gain of \$23,000 during the same period this year. This decrease was mainly offset by the interests on the debt related to the acquisition, towards the end of 2007, of customer contracts of approximately \$1.5 million and the acquisition of Resource IT.

Due to higher interest expenses the financial expenses and foreign exchange amounted to \$198,000 for the six-month period ended June 30, 2008 compared to \$148,000 for the six-month period ended June 30, 2007.

The cost of the stock-based compensation to employees, which covers the period of vesting on options granted amounted to \$13,000 during the second quarter of 2008 as well as in the second quarter of 2007 (\$27,000 for the six-month periods ended June 30, 2008 and 2007). The cost of stock-based compensation to the independent directors of the Board of Directors of the Company amounted to \$14,000 during the second quarter of 2008 compared to \$21,000 in the second quarter of 2007 (\$27,000 and \$35,000 respectively for the six-month periods ended June 30, 2008 and 2007).

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

Net loss

The net loss for the second quarter ended June 30, 2008 amounted to \$1,199,000 or \$0.043 per share, compared to \$6,000 or \$0.000 per share during the second quarter of 2007. Similarly the net loss for the six-month period ended June 30, 2008 amounted to \$1,417,000 or \$0.051 per share, compared to \$116,000 or \$0.005 per share during the same period of 2007.

The net loss for the second quarter of 2008, and for the six-month period ended June 30, 2008 includes amortization of tangible and intangible assets of \$223,000 (\$440,000 for the six-month period) compared to \$23,000 during the corresponding quarter last year (\$46,000 for the corresponding six-month period last year); a \$200,000 increase (\$394,000 increase for the six-month periods). This is mainly due to an increase in amortization of intangible assets due to the acquisition, towards the end of 2007, of customer contracts of approximately \$1.5 million and the acquisition of Resource IT. This amortization expense has no impact on cash flows of the Company. The net loss for the second quarter of 2008 and the six-month period ended June 30, 2008 also includes a \$1,010,000 write-off of a portion of the customer contracts acquired toward the end of 2007. This write-off has no impact on cash flows of the Company. Although some contracts were completed, which forced the write-off of this intangible asset, ODESIA was able to replace them by equivalent contracts with existing and new clients.

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
2008	\$	\$
Revenues	4,236	4,271
Net loss and Comprehensive income	(217)	(1,199)
Loss per share	(0.008)	(0.043)

(\$000's except per share amounts)	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
2007	\$	\$	\$	\$
Revenues	2,561	3,854	3,415	3,621
Net loss and Comprehensive income	(110)	(6)	(195)	(302)
Loss per share	(0.004)	(0.000)	(0.008)	(0.012)

(\$000's except per share amounts)	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
2006	\$	\$	\$	\$
Revenues	1,268	1,729	2,310	2,693
Net profit (loss) and Comprehensive income	(49)	(132)	237	25
Profit (loss) par share	(0.0021)	(0.0055)	0.01	0.01

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

Outstanding shares

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

	June 30, 2008	December 31, 2007
Outstanding shares	27,870,286	27,870,286
Stock Options outstanding	522,500	522,500
Warrants outstanding	--	4,010,664
Common shares outstanding on a fully diluted basis	28,392,786	32,403,450

Balance sheet

The Company's total assets amounted to \$8,593,000 as at June 30, 2008, compared to \$9,701,000 as at December 31, 2007, a \$1,108,000 decrease. Current assets amounted to \$5,950,000 as at June 30, 2008 compared to \$6,058,000 as at December 31, 2007, a decrease of \$108,000. This decrease is mainly caused by the decrease in accounts receivable and is partially off-set by the increase in cash. Accounts receivable decreased from \$5,470,000 as at December 31, 2007 to \$5,224,000 as at June 30, 2008. These include trade accounts receivable of customers of \$3,750,000 as at June 30, 2008 and \$3,093,000 as at December 31, 2007; the increase in trade accounts is due to increased business volume, and the higher days of sales outstanding in Resource IT. Accounts receivable also include the balance of refundable tax credits for the area of electronic commerce and for the development of information technologies, which amounted to \$2,032,000 as at December 31, 2007 compared to \$1,073,000 as at June 30, 2008; the decreased in this balance is due to the fact that the 2006 tax credits were received in February 2008.

Aside from the impact of the amortization of tangible and intangible assets, the important decrease in long-term assets is explained by the write-off of contracts and its related future income taxes recovery.

Current liabilities amounted to \$6,808,000 as at June 30, 2008, compared to \$6,417,000 as at 31 December 2007, an increase of \$391,000. This is explained by the fact that the accounts payable and accrued liabilities increased from \$3,551,000 as at December 31, 2007 to \$4,043,000 as at June 30, 2008; an increase of \$492,000.

The decrease in the capital stock from December 31, 2007 is the result of the reclassification to contributed surplus of the value of the warrants that have expired on January 31, 2008.

As at December 31, 2007, the Company did not meet its financial ratios as required by the bank with respect to minimum working capital and maximum debt to equity. This is largely attributable to the acquisition, towards the end of 2007, of customer contracts of approximately \$1,5 million and the acquisition of Resource IT.

Liquidity and capital resources

As at June 30, 2008, the Company had cash amounting to \$351,000, compared to \$261,000 as at 31 December 2007. Also, working capital as at June 30, 2008 was negative \$858,000 and negative \$358,000 as at December 31 2007. The current position in working capital is mainly attributable to the acquisition completed at the end of 2007.

On July 21, 2008, the Company completed a private placement of \$1,450,000 by the issuance of

- a convertible debenture of \$500,000,
- a convertible debenture of \$250,000,
- 1,750,000 units at a price of \$0.40 per unit for a total consideration of \$700,000

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

Cash flow

Cash flow from operating activities

The important loss for Q2 2008 and the six-month period ended June 30, 2008 was mainly off-set by the adjustment for non-cash items like the amortization of tangible and intangible assets and the write-off of intangible assets. During the second quarter ended June 30, 2008, utilisation of cash flows from operating activities amounted to \$392 compared to utilisation of cash flows from operating activities of \$400,000 during the second quarter 2007. Similarly, during the six-month period ended June 30, 2008, net cash flows generated by operating activities amounted to \$329,000 compared to utilisation of cash flows from operating activities of \$1,025,000 during the same period in 2007. Increase in these cash flows mainly reflects the variances in working capital items and future income taxes.

Cash flows from investment activities

Cash flows from investment activities did not vary significantly, aside from the acquisition of tangible and other assets, and the increase in goodwill following the capitalization of professional fees that were not correctly estimated upon the acquisition of Resource IT in November 2007.

Cash flow from financing activities

Cash flow from financing activities has only varied as a result of the variance in bank loans net 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.

Internal control with respect to financial information

The internal control of financial reporting are designed to provide reasonable assurance regarding the reliability of financial information of the company and the preparation of financial statements in accordance with GAAP. The chief executive officer and interim chief financial officer has made an assessment to determine if the Company has, during the period ended June 30, 2008, made changes to this control mechanism which had or could have had a significant impact on results. No change of this kind has been identified from this evaluation.

The Company and its Audit Committee have established a policy of denunciation as required by Regulation 52-110.

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

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 several 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.

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.

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2008

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., Mexican 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.

Capital requirements

The net cash flows resulting from financing and operating activities have been sufficient to fund growth and fulfil the business plan so far. The continuation of this business plan requires efficient cash management and, if cash flows from operating activities do not cover all capital requirements, it is possible that supplementary financing would be necessary. There exists no guarantee that additional capital, if required, will be available under conditions that would be acceptable to the Company or that would favour its growth.

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

Montreal, August 28, 2008

(Signed) Nicolas Bonnafous

Nicolas Bonnafous, President and Chief Executive Officer

Company information

Directors

Jacques Topping

Quebec City (Quebec), Canada

Nicolas Bonnafous

Boucherville (Quebec), Canada

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Officers

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Odésia Solutions

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Quérétraro (Quérétraro), Mexico

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Annual Report

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

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