

ODESIA Group

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

FOR THE SECOND QUARTER ENDED JUNE 30, 2007

(UNAUDITED)

MANAGEMENT REPORT FOR THE SECOND QUARTER ENDED JUNE 30, 2007

MANAGEMENT'S DISCUSSIONS AND ANALYSIS AND FORWARD-LOOKING STATEMENTS

This management report (the "report") reviews the operational results of Odesia Group Inc. ("the Company") for the three months ended June 30, 2007. The statements contained herein aim to assist the reader in gaining a fuller understanding of the business of Odesia Group Inc. 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 financial statements and accompanying notes for the three months ended June 30, 2007, and with the audited financial statements for the period ended December 31, 2006. Also in accordance with this regulation, we advise you that the interim consolidated financial statements for the first quarter ended March 31, 2007, have not been examined by the Company's auditors.

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 financial statements and report were reviewed by the Company's audit, human resources and corporate governance committee as of August 21, 2007, and approved by the Company's Board of Directors on the same date.

1. 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.

2. Highlights in the second quarter of 2007

Highlights in the second quarter of 2007 are as follows:

- Revenues doubled compared to the second quarter of 2006;
- Profit was affected negatively by the strength of the Canadian dollar against the euro and the U.S. dollar; and
- The presence of our resources grew in Europe.

3. Events subsequent to the quarter

There were no events after the end of the quarter.

4. 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.

5. Financial measures undefined in Canadian GAAP

The term EBITDA (earnings before interest, taxes, depreciation and amortization) has no standardized meaning set out in Canadian accounting principles. Accordingly, EBITDA may not be comparable to similar measurements presented in other financial statements from the Company. We define EBITDA as profit before the amortization of tangible or intangible assets and the client list, provisions for depreciation of goodwill and other intangible assets, interest, currency gains or losses, and income tax. EBITDA is presented uniformly from one period to the next.

We believe EBITDA is an important measurement tool since it enables us to assess performance resulting from the Company’s operating activities without taking account of items that depend essentially on factors unconnected with operations.

6. Selected financial information (in thousands of dollars, except amounts per share)

Results

	For the three months ended June 30 (unaudited)		For the six months ended June 30 (unaudited)	
	2007	2006	2007	2006
Revenues	3,854.1	1,728.8	6,416.1	2,997.1
EBITDA	204.3	(158.9)	126.8	(220.0)
Net loss	(5.7)	(131.9)	(116.2)	(180.8)
Basic and diluted loss per share	(0.000)	(0.005)	(0.004)	(0.007)

Balance sheet

	June 30, 2007 (unaudited)	December 31, 2006 (audited)
Total assets	5,806.0	4,773.8
Long-term liabilities	11.1	29.9
Working Capital ratio	1.64	1.9

7. Operating results

7.1 Operating revenues

The second quarter of 2007 was characterized in particular by a rise in revenues to \$3,854,181, more than double the amount in the three-month period ended June 30, 2006, when revenues of \$1,728,861 were recorded. During this second quarter of 2007, the Company recorded \$1,103,150 in new sales in Europe (invoiced in euros), with European income reaching \$2,298,343. For the six-month period ended June 30, 2007, revenues rose to \$6,416,113, more than double the \$2,997,101 recorded for the same period last year. Increased efforts to develop markets outside Canada are credited for the Company's higher revenues in this second quarter.

Canadian clients of the Canadian subsidiary, Odesia Solutions Inc., provided \$1,555,838 in income, up by \$199,679 from the quarter ended June 30, 2006. Revenues of the French subsidiary, Odesia Europe, S.A.S, remained constant compared to the first quarter of 2007, reaching \$910,720, compared to \$372,702 for the same period in 2006.

7.2 Costs of supplying services, operating expenses and administrative expenses

The costs of supplying services, operating expenses and administrative expenses in this second quarter were \$3,649,879, compared to \$1,887,821 for the quarter ended June 30, 2006. For the six-month period ended June 30, 2007, these costs were \$6,289,286, compared to \$3,217,186 for the same period in 2006. Since the Company operates in the consulting field, the cost of supplying services is related to the rise in revenues.

Compared to the first quarter of 2007, the cost of services fell proportionately by 5.2%, while administrative costs remained stable.

In terms of charges related to share-based payments, an amount of \$20,740 for the deferred unit share plan and an amount of \$13,396 for the employee stock option plan were recorded. We ask you to refer to Note 7 in the unaudited interim consolidated financial statements to learn more about the share-based compensation charge.

7.3 Exchange loss

With our growing international presence, a large portion of our activities is paid for in currencies

other than the Canadian dollar. Accordingly, our results are affected by variations in the exchange rates of the euro and the U.S. dollar. In the second quarter, exchange rate variations caused a negative impact of \$126,612 on results, compared to minus \$4,294 for the same period in 2006. During the three months of this second quarter of 2007, the average monthly values of the euro and the U.S. dollar, expressed in Canadian dollars, were as follows:

<i>Month</i>	<i>Euro</i>	<i>U.S. Dollar</i>
April	1.5333	1.13425
May	1.4801	1.0949
June	1.4295	1.06516

The averages of the euro and the U.S. dollar fluctuated by 7.26% and 6.49% respectively during this quarter.

7.4 Results

In the second quarter ended June 30, 2007, the net loss was \$5,787, compared to a loss of \$131,912 for the quarter ended June 30, 2006. The Company did better in the second quarter of 2007 with EBITDA of \$204,302, whereas in the same period of 2006 it had shown a loss of \$158,960 by this measure. The results of this second quarter of 2007 were affected by the strength of the Canadian dollar, especially against the euro, as mentioned above.

In the second quarter, the Odesia Europe subsidiary experienced periods between contracts that led to a loss-making quarter. Thanks to its new management systems, Canadian subsidiary, Odesia Solutions Inc. managed a better rate of resource efficiency, producing a profit. This accounted for the tax charge in the results. It is expected that our management systems will be instituted in Europe in the third quarter.

Quarterly data

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

(In thousands of dollars, except amounts per share)

	Q1 March 31	Q2 June 30
2007	\$	\$
Income	2,561.9	3,854.1
Net loss	(110.4)	(5.7)
Loss per share	(0.004)	(0.000)

	Q1 March 31	Q2 June 30	Q3 September 30	Q4 December 31
2006	\$	\$	\$	\$
Income	1,268.2	1,728.8	2,309.7	2,692.9
Net profit (loss)	(48.9)	(131.9)	236.7	24.8
Profit (loss) per share	(0.0021)	(0.0055)	0.01	0.01

	Q1 February 28	Q2 May 31	Q3 August 31
2005	\$	\$	\$
Income	1,147	1,335.5	951.3
Net profit (loss)	18.3	(39.6)	1.6
Profit (loss) per share	0.0011	(0.0025)	0.0001

8. Balance sheet

Growth in the Company's business continues to put pressure on the Company's balance sheet.

The Company's total assets stood at \$5,806,084 as of June 30, 2007, compared to \$4,773,809 as of December 31, 2006. This marks a rise of \$1,032, 275, due mainly to an increase in accounts receivable, which stood at \$3,347,920 as of December 31, 2006, rising to \$4,699,723 as of June 30, 2007. Among these receivables are client accounts that rose by \$892,397 in the second quarter to reach \$3,156,920 as of June 30, 2007. Tax credits connected to the E-Commerce Zone climbed by \$242,446 in this quarter, reaching \$484,550 for the 2007 calendar year. The Company's eligibility for the tax credit program connected to the E-Commerce Zone ends on December 31, 2007.

Short-term liabilities for this second quarter stood at \$3,336,400, compared to \$2,196,883 as of December 31, 2006. Bank financing, backed by client accounts, rose to \$346,048 as of June 30, 2006, whereas it was unused as of December 31, 2006. As for supplier accounts and charges to be paid, the main item producing the variation is \$749,889 in salaries to be paid after June 30, 2007, with this item directly related to rapid human resources growth in Europe.

9. Liquidity and capital resources

As of June 30, 2007, the Company had \$291,587 in cash and cash equivalents, almost unchanged from \$290,204 after the first quarter of 2007 and compared to \$757,581 as of December 31, 2006.

As of June 30, 2007, working capital was \$2,160,511, compared to \$1,993,294 as of December 31, 2006. This upward variation was caused in part by a rise in accounts payable.

In France, the Company negotiated financing through factoring for its French subsidiary. In Canada, it is currently renegotiating its line of credit and the financing of its tax credits for a total of about \$2.7 million. These new credit facilities should be implemented in September 2007.

10. Cash flow

10.1 Cash flow from operating activities

In the second quarter ended June 30, 2007, cash flow used in operating activities was \$400,241, compared to \$474,340 for the same period in 2006. The main item in this use stems from a \$488,579 variation in working capital for the second quarter, with \$376,787 of this coming from current contracts.

10.2 Cash flow related to investment activities

To support growth in the Company's business in the second quarter of 2007, the Company had to cash in a \$250,000 term deposit and make certain acquisitions of equipment, with the result that the net amount of cash flow for this second quarter was \$228,553.

10.3 Cash flow related to financing activities

Cash flow generated by financing activities in the second quarter of 2007 rose to \$173,071, coming mainly from the use of a bank loan. The Company also received an amount of \$900 during this period from the partial exercise of the agent's option.

For the same period in 2006, cash flow used by financing activities was \$687,572, with a substantial portion of this coming from a \$550,000 private placement.

11. Financial instruments

The Company does not use derivatives.

12. Off balance sheet transactions

The Company conducted no off balance sheet transactions in the period ended June 30, 2007.

13. Accounting changes

In July 2006, the accounting standards committee of the Canadian Institute of Chartered Accountants modified Chapter 1506, *Accounting changes*. This chapter has applied to the Company since January 1, 2007. The modifications made to Chapter 1506 have had no material effect on the consolidated financial statements of the Company.

On January 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section

1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive incomes defined by revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with the generally accepted accounting principles.

Under the new standards, all financial assets should be measure at their fair values, except for held-to-maturity investments, loans and receivables and derivative financial instruments, which should be measured at amortized cost. All financial liabilities should be measured at amortized cost, except for financial liabilities classified as held for trading which should be measured at their fair values. The adoption of this new section has no impact on the interim consolidated financial statements.

14. Outstanding shares

As of June 30, 2007, the Company had:

- 25,638,064 outstanding common shares, 2,400 shares more than in the previous quarter due to the exercise of the agent's option;
- 937,500 options pursuant to its share purchase option plan, with no new options granted or forfeited during this quarter;
- 4,168,450 warrants maturing in December 2007 at exercise prices varying from \$0.375 to \$0.60; no warrant was exercised during this quarter.

15. Internal controls on financial information

Internal controls on financial information aim to provide a reasonable assurance as to the reliability of the Company's financial information and the preparation of financial statements based on Canadian GAAP. The president and chief executive officer, and the vice-president, finance, have conducted an evaluation to determine if the Company, in the three-month period ended June 30, 2007, made any changes to this control mechanism that have had or that are likely to have any noteworthy effects on this mechanism. No change of this type was identified in their evaluation.

16. Risk factors

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

Dependence on major customers

A limited number of customers have generated, in the past, a substantial share of the Company's operating revenues. Concentration of the Company's operating revenues from a limited number of customers can result in operating revenues and profits fluctuating appreciably from one quarter to the next. The Company expects that, in the foreseeable future, operating revenues attributable to a relatively limited number of customers will continue to represent a high percentage of its operating revenues, and nothing guarantees that the Company's customers, including its major customers, will continue to use its solutions or that they will continue to use them to the same extent as before.

The loss of one or more of the Company's major customers, or a sizable reduction in their use of the Company's services and solutions, including a loss or reduction caused by factors beyond the Company's control, may have substantial adverse effects on the Company's activities, financial position and operating results. Furthermore, delays in recovering (or inability to recover) accounts receivable from one or other of the Company's major clients could have substantial adverse consequences on its liquidity or working capital.

Customer expectations and provision of services

The Company's services and solutions often make use of complex data systems and software that are essential to its customers' operation. Failure by the Company to meet customers' expectations in implementing appropriate solutions and in executing its services, particularly in terms of quality, cost and speed, may harm its reputation in the business intelligence services sector and have an adverse effect on its ability to maintain customers and obtain contracts from new customers. If a customer is not satisfied with the Company's solutions or services, the Company will generally take on, at its expense, the extra human and other resources needed to satisfy the customer. The costs committed will usually result in a lower margin on the contracts and could have a substantial adverse effect on the Company's business, its financial position and its operating results.

Long-term relationships with customers

The Company's future success relies largely on its ability to maintain long-term relationships with its customers. The Company may not manage to maintain relationships with new customers, and its relationships with its existing customers may not be fruitful. Failure by the Company to maintain long-term relationships with its customers may lower its operating proceeds and its profitability.

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.

Vulnerability with respect to demand

Some large companies attempt to limit the number of suppliers they call upon in the information technologies field. Despite the fact that the Company's leading-edge expertise and the quality of its services set it apart from its competitors, it may be vulnerable to fluctuations in demand for business intelligence solutions. Since the Company draws a vast majority of its income from specialized business intelligence services provided to its customers, revenues from its services will represent a substantial share of the Company's income in the foreseeable future. Accordingly, if there is a substantial decline in demand for services in information technologies, particularly in the specialized services offered by the Company, it and its operating results could be affected adversely.

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.

Acquisitions

In the future, the Company may conduct selective acquisitions of companies or products it considers will round out its range of business intelligence services and solutions. It may be that the Company is unable to find appropriate acquisition prospects at reasonable prices, that it is unable to conduct an acquisition or that it cannot succeed in integrating the acquired activities or a new range of services. Moreover, it is possible that the Company could find itself competing with other companies to make acquisitions and that the competing companies could have much greater resources.

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.

Establishment of market-based pricing

The competitive market in which the Company expects to conduct its business could cause the Company to reduce its prices. If competitors offer substantial discounts on some of their services to win back or gain market share or to offer other business intelligence services, the Company may have to lower its prices and to offer favourable payment conditions to compete effectively. Such changes could reduce profit margins and have adverse effects on the Company's operating results.

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.

Additional capital requirements

The Company will have to find the funds needed to fulfil its business plan. The Company estimates that net cash flow resulting from its financing rounds and its expected operating income will be sufficient for this purpose. In the event that the Company's plans were to be modified, or if income did not meet all requirements as originally expected, it is possible that supplementary financing could 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.

Tax credits

The Company currently benefits from the Montreal E-commerce Zone program and thus benefits from a 35% tax credit on any increase in its wage bill. The Company's eligibility under the program ends on December 31, 2007. Modifications to tax laws or a change in control of the Company could prevent the Company from continuing to take advantage of these advantages and could have a negative effect on the Company's operating results.

Exchange rates

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

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

Montreal, August 21, 2007

(Signed) Nicolas Bonnafous

Nicolas Bonnafous, President and Chief Executive Officer

(Signed) Christian Dufour

Christian Dufour, Vice-President Finance and Secretary

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TSX Venture Exchange
Ticker: ODS

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Annual Report

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