

ODESIA Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2007

(UNAUDITED)

MANAGEMENT'S DISCUSSION 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 September 30, 2007. The statements contained herein aim to assist the reader in gaining a better 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-month period ended September 30, 2007, and with the audited financial statements for the year ended December 31, 2006. Also in accordance with this regulation, we advise you that the interim consolidated financial statements for the third quarter ended September 30, 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, and approved by the Company's Board of Directors on November 23, 2007.

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 of the third quarter of 2007

Highlights of the third quarter of 2007 are as follows:

- Revenues increased by more than \$1.1M compared to the third quarter of 2006;
- Gross margins negatively impacted by the following: a change in the mix of sales; seasonality effect caused by the summer period; placement rate lower than in the third quarter 2006;
- Non-recurring charges of more than \$230,000 recorded for employment severance payments;
- Earnings negatively impacted by a stronger Canadian dollar compared to the Euro and the U.S. dollar; and
- Increased presence of our resources grew in Europe.

3. Events subsequent to the quarter

On October 31, 2007 the Company signed a share purchase agreement to acquire Resource IT Mexico, a Querétaro-based IT and software service provider. The total consideration for the purchase was established at \$2 million CAD, payable by the issuance of 2 222 222 common shares, and \$1 million in cash, of which \$125, 000 is payable at the closing, and the balance on 36 months.

On October 31, 2007 the Company signed a transaction agreement to acquire European customer contracts for a total consideration of 1 122 000 euros. The cost of this transaction will be paid in cash, 747 000 euros at closing, and the balance over 15 months.

On November 15, 2007 the Company received approval from the securities regulatory authorities for the re-pricing of 4 010 664 warrants from \$0,60 to \$0,50 and the reporting of the maturity date from December 23, 2007 to January 31, 2008.

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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 September 30 (unaudited)		For the nine months ended September 30 (unaudited)	
	2007	2006	2007	2006
Revenues	3 415	2 310	9 831	5 307
EBITDA	(222)	411	(95)	191
Net earnings (loss)	(195)	237	(312)	56
Basic and diluted earnings (loss) per share	(0,008)	0,009	(0,01)	0,002

Balance sheet

	September 30, 2007 (unaudited)	December 31, 2006 (audited)
Total assets	6 160	4 774
Long-term liabilities	10	30
Working Capital ratio	1,50	1,9

7. Operating results

7.1 Operating revenues

The third quarter of 2007 was characterized by an increase in revenues of \$1,105,440 or 48%, from \$2,309,745, in the three-month period ended September 30, 2006, to \$3,415,185 in the three-month period ended September 30, 2007.

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During this third quarter of 2007, the Company recorded \$2,230,893 in sales in Europe (invoiced in euros), compared with \$640,346 for the corresponding quarter last year. For the nine-month period ended September 30, 2007, revenues rose to \$9,831,298 from \$5,306,846 for the same period last year, a 85% increase. During the nine-month period of 2007, the Company recorded \$5,649,325 in sales in Europe, compared with \$1,129,868 for the corresponding period last year.

Canadian revenues during the third quarter amounted to \$1,184,292, a \$485,170 decrease compared with the corresponding quarter last year. This decrease is mainly explained by a lower placement rate caused by more vacations taken when compared to the same period last year.

7.2 Costs of supplying services, operating expenses and administrative expenses

The costs of supplying services, operating expenses and administrative expenses in this third quarter were \$3,636,934, compared with \$1,898,941 for the corresponding quarter last year. For the nine-month period ended September 30, 2007, these costs amounted to \$9,926,220, compared with \$5,116,127 for the same period in 2006. Since the Company operates in the consulting field, the cost of supplying services is correlated to the revenues. These costs also include non-recurring charges related to employment severance payments amounting to \$232,420 in the third quarter 2007 and to \$246,250 for the nine-month period in 2007.

For the stock-based payments, an amount of \$24,000 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 compensated 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 third quarter, exchange rate variations caused a \$33,078 loss, compared to a \$12,128 loss for the same period in 2006. During the third quarter of 2007, the average monthly rates 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>
July	1.442	1.066
August	1.441	1.056
September	1.427	0.996

The average rates of the Euro and the U.S. dollar fluctuated by 1.04% and 6.56% respectively during this quarter.

7.4 Results

In the third quarter ended September 30, 2007, the net loss was \$195,347, compared with net earnings of \$236,736 for the corresponding quarter in 2006. For the nine-month period ended September 30, 2007 the net loss was \$311,555 compared with net earnings of \$55,886 for the corresponding period in 2006. The net loss per share for this quarter was \$0.008 compared with an earnings per share of \$0.009 in the corresponding quarter last year. The net loss per share for the nine-month period in 2007 was \$0.01 compared with an earnings per share of \$0.002 in the corresponding period last year.

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Quarterly data

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

(In thousands of dollars, except amounts per share)

2007	Q1 March 31 \$	Q2 June 30 \$	Q3 September 30, \$	
Income	2,561.9	3,854.1	3,415.2	
Net loss	(110.4)	(5.7)	(195.3)	
Loss per share	(0.004)	(0.000)	(0.008)	

2006	Q1 March 31 \$	Q2 June 30 \$	Q3 September 30 \$	Q4 December 31 \$
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

2005	Q1 February 28 \$	Q2 May 31 \$	Q3 August 31 \$	
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

The Company's total assets amounted to \$6,160,124 as at September 30, 2007, compared with \$4,773,809 as at December 31, 2006, a \$1,386,315 increase. This increase is mainly attributable to an increase in accounts receivable, from \$3,347,920 as of December 31, 2006, to \$4,560,891 as at September 30, 2007. These accounts receivable include trade accounts receivable that increased from \$2,264,523 as at December 31, 2006 to \$3,165,538 as at September 30, 2007. Tax credits related to the E-Commerce Zone increased by \$276,613 in this quarter, reaching \$761,163 for the nine-month period in 2007. The account receivable for these tax credits amounted to \$1,755,353 as at September 30, 2007.

Short-term liabilities for this third quarter amounted to \$3,873,988, compared with \$2,196,883 as at December 31, 2006. Bank financing, backed by accounts receivable, amounted to \$611,184 as at September 30, 2007, while it was unused as at December 31, 2006. The increase in accounts payable from \$1,766,635 as at December 31, 2006 to \$2,883,272 as at September 30, 2007 is mainly due to an increase in salaries and benefits, directly relating to the rapid growth of our human resources in Europe, and the provision for employment severance payments.

9. Liquidity and capital resources

As at September 30, 2007, the Company had \$347,507 in cash and cash equivalents, compared with \$757,581 as at December 31, 2006.

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As at September 30, 2007, working capital amounted to \$1,945,690 compared with \$1,993,294 as of December 31, 2006.

During the third quarter in 2007, the Company re-negotiated certain parameters of its credit facility resulting in a total \$2.7 million financing.

10. Cash flow

10.1 Cash flow from operating activities

In the third quarter ended September 30, 2007, cash flow used in operating activities amounted \$228,558, compared with \$274,854 for the corresponding period in 2006, which is mainly explained by the loss for the quarter.

10.2 Cash flow related to investment activities

The main cash flow related to investment activities in the third quarters of 2007 and 2006 was the purchase of equipment, for \$37,322 and \$14,155 respectively.

10.3 Cash flow related to financing activities

Cash flow generated by financing activities in the third quarter of 2007 amounted to \$319,576 compared with \$131,292 of cash flow used in financing activities during the corresponding quarter last year. These variances are explained by a variance in bank loan.

11. Financial instruments

The Company does not use derivatives.

12. Off-balance sheet transactions

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

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.

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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 at September 30, 2007, the Company had:

- 25,638,064 outstanding common shares, no variance since second quarter;
- 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, chief executive officer and interim chief financial officer, has conducted an evaluation to determine if the Company, in the three-month period ended September 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 this 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

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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

The Company's growth strategy will be done through selective acquisitions of companies or products it considers will round out its range of business intelligence or other 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

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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, November 23, 2007

(Signed) Nicolas Bonnafous

Nicolas Bonnafous, President and Chief Executive Officer
and interim Chief Financial Officer

Company information

Directors

Jacques Topping
Quebec City, Quebec
Canada

Nicolas Bonnafous
Boucherville, Quebec
Canada

Jean-Pierre Dubé
Mont-Saint-Hilaire, Quebec
Canada

André Malo
Saint-Bruno-de-Montarville, Quebec
Canada

Jan Czech
Laval, Quebec
Canada

Officers

Nicolas Bonnafous, President and Chief Executive Officer
Boucherville, Quebec
Canada

Jean-Pierre Dubé, Executive Vice-President
Mont-Saint-Hilaire, Quebec
Canada

Jacques Daigle, General Manager, Odesia Europe, S.A.S.
Argenteuil,
France

Legal Counsel

McCarthy Tétrault s.e.n.c.r.l.

Auditors

Raymond Chabot Grant Thornton, s.e.n.c.r.l.
Chartered Accountants

Transfer Agent and Registrar

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

Listings

TSX Venture Exchange
Ticker: ODS

Cusip: 675848105

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) 876-9205
E-mail: nicolas@odesia.com

Head Office

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

Telephone: (514) 876-1155
Fax: (514) 876-9205