

ODESIA Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED MARCH 31, 2010

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 three-month period ended March 31, 2010. 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 March 31, 2010, along with the Management's Discussion and Analysis for the year ended December 31, 2009, as well as the related audited, annual consolidated financial statements. Except 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 first quarter ended March 31, 2010, have not been reviewed by the Company's auditors.

The financial statements and report were reviewed by the Company's audit, human resources and corporate governance committee, and approved by the Company's Board of Directors on May 26, 2010.

Description of the Company's business

The Company has offered business intelligence (BI) and data-warehousing solutions to large and medium-sized companies since 1998. Its mission is to support its customers in the design and implementation of a decision-support infrastructure contributing to a clear vision of their business strategy. The Company helps its clients to maximize their performance by experiencing the full potential of business-intelligence technology that enables them to access, process and transmit information throughout an organization as well as to the organization's customers and business partners.

The strategy of the Company is partly focused on growth through acquisitions to broaden the range of services offered to its customers and to expand its geographical coverage. Accordingly, on November 30, 2007, the Company acquired all of the outstanding shares of Resource IT (renamed Odesia Mexico), a firm based in Mexico that specializes in professional consulting services in information technology. In 2006 the Company acquired 70% of the outstanding shares of SAS BI Expert (renamed Odesia Europe SAS), a French consulting firm in information technology that operates in Europe.

Forward-looking statements

This analysis contains statements that are forward-looking 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'S REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2010

Highlights of the quarter

Highlights for the first quarter of 2010 are as follow:

- ODESIA realized net earnings of \$4,000 compared to a net loss of \$17,000 during the same period last year. This result represents ODESIA's third profitable quarter in a row.
- The Company has generated earnings before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes of \$187,000; this represents an increase of \$50,000 from the \$137,000 realized during the same quarter last year.
- Sales of the Company have decreased by nearly \$650,000 or 16%; from \$3,997,000 in Q1 2009 to \$3,347,000 in Q1 2010. This decrease in sales is the result of the economic crisis on the French and Mexican operations.

Selected financial information

Earnings

(\$000's except per share amounts)	For the first quarter ended March 31, (unaudited)	
	2010	2009
Sales	3,347	3,997
Earnings before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes	187	137
Net earnings (loss) and comprehensive income (loss)	4	(17)
Basic and diluted net earnings (loss) per share	0.000	(0.001)

Balance sheet

(\$000's)	March 31, 2010 (unaudited)	December 31, 2009 (audited)
Total assets	5,359	5,170
Convertible debentures and long-term debt including short-term portions	841	847

Operating Results

Sales

During the first quarter ended March 31, 2010, the Company posted revenues of \$3,347,000, compared to \$3,997,000 for the corresponding quarter in 2009, a decrease of \$650,000 or 16%. This decrease in sales affecting the Company's French and Mexican operations was caused primarily by the global economic crisis. Sales realized with clients in Canada increased from \$1,386,000 in the first quarter of 2009 to \$1,625,000 in the first quarter of 2010; a \$239,000 or 17% increase. Meanwhile sales to clients located in France decreased by \$596,000 or 28% from \$2,142,000 in Q1 2009 to \$1,546,000 in Q1 2010. Operations in Mexico were even more negatively affected by the financial crisis; the sales to clients located in Mexico decreased by \$292,000 or 62% from \$468,000 in Q1 2009 to \$176,000 in Q1 2010. Even though we currently see signs of recovery in the Mexican market, the recovery is slower than originally expected by ODESIA, and management has recently hired a firm of external consultants to help reorganize the Mexican operations and address management challenges. If short-term profitability is not realized, Odesia will evaluate its strategic options in regards to its Mexican operations.

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Costs of services provided, operating and administrative expenses

The cost of services provided, operating and administrative expenses of the Company amounted to \$3,160,000 during the first quarter ended March 31, 2010 compared to \$3,859,000 during the corresponding quarter last year, a decrease of \$699,000 or 18%.

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 consultation, the cost of services provided is highly correlated to revenues. Compared to the equivalent period of 2009, operating gross margins for the three-month period ended March 31, 2010 were impacted by various factors, including:

- The global economic crisis forced the Company to rationalize its worldwide operations which now results 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.

Compared to the first quarter of 2009, operating and administrative expenses of the current quarter were impacted by various factors, including:

- The rationalization that took place in 2009 following the global economic crisis decreased the operating and administrative expenses in Q1 2010 compared to Q1 2009.
- A bad debt expense in Mexico impacted the operating and administrative expenses in Q1 2009. There was no similar impact in Q1 2010.

ODESIA's earnings before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes were \$187,000 for the first quarter ended March 31, 2010, compared to an earning of \$137,000 for the equivalent period in 2009.

Amortization of tangible and intangible assets

Amortization of tangible and intangible assets amounted to \$10,000 for the first quarter of 2010 compared to \$36,000 during the corresponding quarter last year; a \$26,000 decrease. This decrease in amortization expense is due to normal wear of the aging computer equipments.

Financial expenses and foreign exchange

Financial expenses and foreign exchange amounted to \$173,000 during the first quarter of 2010 compared to \$118,000 during the corresponding quarter last year. In comparison to Q1 2009, Q1 2010 saw a decrease in interest rates while the long-term debt was lower which generated a \$19,000 decrease in interest expense in Q1 2010 compared to Q1 2009. The aforementioned increase in financial expenses and foreign exchange was, therefore, mainly attributable to ODESIA's \$76,000 loss on foreign exchange during the three-month period ended March 31, 2010 compared to a loss of \$1,000 during the same period in 2009.

Net earnings (loss)

Net earnings for the first quarter ended March 31, 2010 amounted to \$4,000 or \$0 per share, compared to a net loss of \$17,000 or \$0.001 per share during the first quarter of 2009.

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Quarterly data (unaudited)

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

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

ODESIA's sales were stable from quarter to quarter in 2008. Integration challenges of the acquisitions made in 2006 and 2007 explain the increase in net loss over 2008 and the first semester of 2009. In response to tough economic conditions in 2009, the Company's clients re-examined the timing of their investment strategies and restructured spending to address cash and margin challenges. Such cautious actions resulted in lowered, or deferred, IT spending that negatively affected ODESIA's revenue in 2009 and in Q1 2010. The Company restructured its cost base and continuously pursued new contract wins, renewals and extensions as observed in the gradual improvement in net earnings after the first semester 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 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 flows from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients or the timing of the reimbursements for tax credits.

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

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Outstanding shares

Information relating to shares outstanding as at May 26, 2010 is summarized in the table below:

Outstanding shares	29,620,286
Stock Options outstanding	865,000
Warrants outstanding	350,000
Shares outstanding on a diluted basis	30,835,286

In addition, the convertible debentures could also be converted into 1,818,750 shares and 909,375 warrants based on a conversion price of \$0.40 as at May 26, 2010.

Balance sheet

Current assets amounted to \$3,931,000 as at March 31, 2010 compared to \$3,726,000 as at December 31, 2009, an increase of \$205,000. This increase is caused primarily by the increase in accounts receivable and contracts in progress which was slightly reduced by a decrease in cash. The higher level of sales in March 2010 compared to December 2009 explains the increase in accounts receivable and contracts in progress.

The Company's total assets amounted to \$5,359,000 as at March 31, 2010, compared to \$5,170,000 as at December 31, 2009; an increase of \$189,000. The increase in current assets described in the previous paragraph explains this increase in total assets.

Current liabilities amounted to \$4,515,000 as at March 31, 2010, compared to \$4,354,000 as at December 31, 2009, an increase of \$161,000. This is mainly attributable to an increase in accounts payable and accrued liabilities following the hiring of more external contractors in March 2010 than in December 2009 to meet the increased demand from the Company's clients in the last month of the first quarter of 2010.

Liquidity and capital resources

As at March 31, 2010, the Company had cash amounting to \$109,000, compared to \$294,000 as at December 31, 2009. Working capital as at March 31, 2010 was negative \$584,000 compared to negative \$629,000 as at December 31, 2009. Based on its internal financial projections, ODESIA expects the cash flows from operations to be sufficient to meet its liquidity needs in the next twelve months. It currently has no additional credit available aside from the bank loans which are not used up to the maximum amount authorized. The Company used its convertible debentures' moratorium in July 2009. This moratorium allows the Company to benefit of a twelve-month capital payment holiday on its convertible debentures.

As at March 31, 2010, the Company did not meet the financial ratios required by its banks (see note 8 in the Company's consolidated financial statements). This is attributable largely to the net loss incurred in 2008 and to the liabilities incurred to allow the acquisition of customer contracts of approximately \$1.5 million and the acquisition of Resource IT. In April 2010 Resource IT refinanced successfully one of its bank loans on a long-term basis. 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 good 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.

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Cash flows

Cash flows from operating activities

After the adjustments for non-cash items such as amortization of tangible assets, implicit interest, stock-based compensation and changes in working capital items, the operating activities utilised \$212,000 of cash flows during the first quarter ended March 31, 2010 and \$235,000 of cash flows during the same period one year earlier.

Cash flows from investing activities

Cash flows from investing activities did not vary significantly, and result from the acquisition of tangible and other assets.

Cash flows from financing activities

For the three-month periods ended March 31, 2010 and March 31, 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.

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

There are no new accounting policies that became effective during the current period.

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 – completed in Q4 2009
- analysis of the repercussions and design – to be completed over Q1 and Q2 2010
- implementation and review – to be completed over 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.

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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 simultaneously large numbers of human resources and business-intelligence projects. Failure by Company executives to react effectively to technological change or business conditions and to manage change may have substantial adverse consequences on the Company's activities, financial position or operating results.

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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 North American market for business-intelligence specialists is dominated by companies of modest size. These companies generally specialize in narrowly defined areas, and few offer complete services. To stay at the leading edge of technology, the Company will have to develop a full range of solutions. Whether competition comes from new 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.

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).

Montreal, May 26, 2010

(Signed) Nicolas Bonnafous

Nicolas Bonnafous, President and Chief Executive Officer

(Signed) Simon Lepage

Simon Lepage, Chief Financial Officer

Company information

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Annual Report

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