

ODESIA Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FIRST QUARTER ENDED MARCH 31, 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 three-month period ended March 31, 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 March 31, 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 first quarter ended March 31, 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 May 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 consulting 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 quarter are as follows:

- The Company has recorded a growth in revenues of nearly \$1,700,000 compared to the corresponding quarter last year.
- The results of Resource IT have been consolidated since the date of acquisition. They have contributed for the entire quarter with nearly \$900,000 in sales, as opposed to nil during the corresponding quarter last year.
- The Company has recorded more than 30% of internal growth compared to the corresponding quarter last year.
- Earnings before amortization, financial expenses, income taxes and non-controlling interest have increased by \$149,572 compared with the corresponding quarter last year, in spite of a \$204,604 decrease in the tax credits recorded during the first quarter ended March 31, 2008.

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 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

	Three-month period ended March 31, (unaudited)	
	2008	2007
Revenues	4 236 038	2 561 932
Earnings (loss) before amortization, financial expenses, income taxes and non-controlling interest	72 097	(77 475)
Net loss and comprehensive income	(217 671)	(110 421)
Basic and diluted loss per share	(0,008)	(0,004)

Balance sheet

	March 31, 2008 (unaudited)	December 31, 2007 (audited)
Total assets	9 054 116	9 700 658
Long-term liabilities	518 258	511 218
Working capital ratio	0,93	0,94

Operating Results

Operating revenues

During the first quarter ended March 31, 2008 the Company posted revenues of \$4,236,038, compared to \$2,561,932 for the corresponding quarter in 2007, an increase of \$1,674,106 or 65%. This increase in revenue is attributable to strong growth both locally and internationally. In effect, sales in Canada increased from \$1,438,201 during the first quarter of 2007 to \$1,636,651 during this quarter, a 14% increase. In addition, sales in Europe rose from \$1,120,089 during the first quarter of 2007 to \$1,711,061 during this quarter. Finally, sales of the subsidiary Resource IT cover the entire quarter and amounted to \$888,326.

Costs of services provided, operating and administrative expenses

The costs of services provided, operating and administrative expenses of the company amounted to \$4,163,941 during the first quarter ended March 31, 2008 compared to \$2,639,407 during the corresponding quarter last year, an increase of \$1,524,534 or 58%.

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2008

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 first quarter of 2007, operating gross margins during the first quarter of 2008 were impacted by various factors, including:

- The overall placement rate of resources was slightly lower than during the first quarter last year. In effect, there were more periods of inter-mandates for which resources were not fully billable to customers; however, this has been offset by an increase in the average billing rate.
- The proportion of freelance consultants was lower than during the first quarter last year, generating overall better operating gross margins.
- The operating gross margins generated by Resource IT have favourably impacted the consolidated gross margins.
- Also, the different sales mix generated higher profit margins during the current quarter.

Compared to the first quarter of 2007, operating and administrative expenses of the current quarter were impacted by various factors, including:

- The operational structure is more expensive than in the corresponding quarter in order to support the strong business growth.
- The operating and administrative expenses of Resource IT were nil during the corresponding quarter last year.

Tax credits for the area of Montreal E-commerce zone recognized in the results of the subsidiary Odésia Solutions amounted at \$242,104 during the first quarter of 2007, compared to nil this current quarter. This tax credits program ended on December 31, 2007. However, when submitting its budget on March 13, 2008, the Quebec government introduced a new tax measure for the development of e-business, aiming to consolidate the development of information technology in all of Quebec. This measure allows eligible companies to obtain a tax credit refundable until 31 December 2015. The refundable tax credit is equal to 30% of salaries paid to eligible employees up to \$20,000 per employee. Management estimates that the Company will be eligible for this new measure. Accordingly, a \$37,500 tax credit was recorded for the first quarter ended March 31, 2008.

Financial expenses and foreign exchange amounted to \$77,213 during the first quarter of 2008 compared to \$11,973 during the corresponding quarter last year. This increase is mainly attributable to the acquisition, towards the end of 2007, of customer contracts of approximately \$1,5 million and the acquisition of Resource IT. Foreign exchange rates fluctuations resulted in a \$35,744 gain during the first quarter of 2008 compared to a \$11,096 loss last year.

The cost of the stock-based compensation to employees, which covers the period of vesting on options granted amounted to \$13,400 during the first quarter of 2008 as well as in the first quarter of 2007. The cost of stock-based compensation to the independent directors of the Board of Directors of the Company amounted to \$13,500 during the first quarter of 2008 compared to \$13,834 in the first quarter of 2007.

Net loss

The net loss for the first quarter ended March 31, 2008 amounted to \$217,671 or \$0,008 per share, compared to \$110,421 or \$0,004 per share during the first quarter of 2007. The net loss for the first quarter of 2008 includes amortization of tangible and intangible assets of \$217,656 compared to \$23,049 during the corresponding quarter last year, a \$194,607 increase. 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 cost has no impact on cash flows of the Company. The net loss for the current quarter only includes \$37,500 of tax credits as opposed to \$242,104 during the corresponding quarter last year, a \$204,604 decrease.

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2008

Quarterly data (unaudited)

The following table summarizes of certain information on the Company's last nine quarters:

2008	Q1 March 31 \$
Revenues	4 236 038
Net loss and Comprehensive income	(217 671)
Loss per share	(0,008)

2007	Q1 March 31 \$	Q2 June 30 \$	Q3 September 30 \$	Q4 December 31 \$
Revenues	2 561 932	3 854 181	3 415 185	3 621 184
Net loss and Comprehensive income	(110 421)	(5 790)	(195 346)	(301 619)
Loss per share	(0,004)	(0,000)	(0,008)	(0,012)

2006	Q1 March 31 \$	Q2 June 30 \$	Q3 September 30 \$	Q4 December 31 \$
Revenues	1 268 240	1 728 861	2 309 745	2 692 918
Net profit (loss) and Comprehensive income	(48 938)	(131 912)	236 736	24 877
Profit (loss) par share	(0,0021)	(0,0055)	0,01	0,01

Outstanding shares

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

	March 31, 2008	December 31, 2007
Outstanding shares	27 870 286	27 870 286
Stock Options outstanding	522 500	522 500
Warrant 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 \$9,054,116 as at March 31, 2008, compared to \$9,700,658 as at December 31, 2007, a \$646,542 decrease. Current assets amounted to \$5,547,058 as at March 31, 2008 compared to \$6,058,140 as at December 31, 2007, a decrease of \$511,082. This decrease is mainly caused by the decrease in accounts receivable and

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2008

cash. Accounts receivable decreased from \$5,469,675 as at December 31, 2007 to \$5,189,192 as at March 31, 2008. These include trade accounts receivable of customers of \$4,086,098 as at March 31, 2007 and \$3,093,829 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 to refundable tax credits for the area of electronic commerce and for the development of information technologies, which amounted to \$2,031,926 as at December 31, 2007 compared to \$1,072,968 as at March 31, 2007; the decreased in this balance is due to the fact that the 2006 tax credits were received in February 2008.

Long-term assets have not varied significantly, aside from the impact of the amortization of tangible and intangible assets.

Current liabilities amounted to \$5,967,206 as at March 31, 2008, compared to \$6,416,517 as at 31 December 2007, a decrease of \$449,311. The bank loan, supported by account receivable and tax credits, went from \$1,822,089 as at December 31, 2007 to \$1,304,300 as at March 31, 2008. Accounts payable and accrued liabilities did not vary significantly, from \$3,551,119 as at December 31, 2007 to \$3,651,748 as at March 31, 2008

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 31 March 2008, the Company had cash amounting to \$32,772, compared to \$261,382 as at 31 December 2007. The decrease in cash partially reflects the net decrease in bank loans. Also, working capital as at March 31, 2008 was negative \$420,148 and negative \$358,377 as at December 31 2007. The current position in working capital is mainly attributable to the acquisition, towards the end of 2007, of customer contracts of approximately \$1.5 million and the acquisition of Resource IT. Management believes that these acquisitions will generate significant cash flow and rebuild the working capital in the coming months.

Cash flow

Cash flow from operating activities

During the first quarter ended March 31, 2008, net cash flows generated by operating activities amounted to \$328,986 compared to a utilisation of cash flows from operating activities of \$624,553 during the first quarter 2007. Increased in these cash flows mainly reflects the variances in working capital items.

Cash flows from investment activities

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

Cash flow from financing activities

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

Financial instruments

The Company does not use derivatives.

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2008

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 designed to provide reasonable assurance regarding the reliability of financial information of the society 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 March 31, 2008, made changes to this control mechanism which had or probably could have on the significant effects. 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.

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.

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.

MANAGEMENT REPORT FOR THE FIRST QUARTER ENDED MARCH 31, 2008

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.

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.

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, May 28, 2008

(Signed) Nicolas Bonnafous

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

Company information

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Listings

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Annual Report

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

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