

OW2 CONSORTIUM

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL SITUATION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2008

For the OW2 Consortium, 2007 was significantly different from the previous year. OW2 was launched in January 2007 and that year was dedicated mainly to managing the transition from ObjectWeb and implementing our operating procedures. In 2008, we continued building our organization and started developing our activities:

- In the Management Office, we secured our full-time Systems Administrator, a Webmaster and a CTO.
 - The technical infrastructure was fully migrated from the INRIA platform and we now have a totally independent and reliable technical infrastructure.
 - We have expanded the services offered by our technical infrastructure and our projects now have free access to Sun's TCKs, Atlassian development tools and FOSSology for license management, with whom we have negotiated special open source community rights.
 - Our code base continued growing: in 2008, we received 17 project proposals and we reorganized our code base around 33 Mature projects, 11 Incubation projects and 23 in Archive.
 - On the activities side, we launched the Business Intelligence Initiative and the Europe Local Chapter.
 - We launched marketing and communication: we took part in some 25 events, opened the Chinese website and started producing a monthly newsletter.
 - Last but not least we recruited 10 new Corporate Members and one new Strategic Member and we reached the milestone of 1000 Individual Members.
- Of course we appreciate none of this would have been possible without the on-going support of all our members.

On the downside for 2008, we must highlight the following:

- Our progress is hampered by the Management Office lack of dedicated resources in Communication, Legal and Administration.
- Although the Technology Council has found its own momentum, the Operations Council is not operating efficiently and we've had to freeze the Ecosystems Council in order to reposition it to a more focused marketing and communication role.
- Despite some success, our efforts to build a consistent code base unified by a single component model have yet to bear their fruits.
- Marketing support by our members is still too modest to provide the Consortium and its community the critical mass required to achieve global visibility.

In 2009, we will migrate to a new state-of-the-art forge, set up mirror sites, organize our first OW2 Annual Conference and our first programming contest. We will also launch the Brazil Local Chapter and, with the help of our Local Chapters, develop our membership and our visibility in Europe, China and Latin America. End 2009 OW2 will be a truly global open source community with Local Chapters in Europe, China and Brazil.

2009, however, will be a year of great challenges. It is the last year of the three-year commitment of our founding Strategic Members, we will have to work on a new "contract" with them. Moreover, we must operate as professionally as possible and maximize the benefits for our members because, in the current economic crisis, members will closely be evaluating their returns on investment.

The following tables set forth selected financial data for 2007 and 2008. The selected financial data should be read in conjunction with the « Comptes Annuels de l'Exercice Clos le 31/12/2008 » established by our registered chartered accountant François Guyot et Associés.

Revenue: For the year ended December 31, 2008, total revenue increased 26.7% to €345 199.08 from €272 401.32 for the year ended December 31, 2007. This increase resulted primarily from an increasing level of membership subscriptions (+20%).

Expense: Operating expense as a percentage of revenue increased 101.4% to €339 458.76 for the year ended December 31, 2008 from €168 526.43 for the year ended December 31, 2007, reflecting the fact that 2008 was our first full year of operations. By category: expenses (except salaries and benefits) related to our technology infrastructure, the development of the ecosystem and general represented 44.9% (59.3% in 2007), 38.0% (19.9%) and 17.0% (20.7%) respectively.

Net result: Net result was 1.5% of total revenue for the year ended December 31, 2008 compared to 38.1% for the year ended December 31, 2007. The decrease in net result is a result of our increase in expenses as described above.

Cash and cash equivalent: Cash and cash equivalent at December 31, 2008 totaled €98663.07 from €135 384.02 at December 31, 2007. This significant cash balance helps us cover operating expenses in the beginning of 2009 fiscal year.

OW2 CONSORTIUM BALANCE SHEET 2007-2008

(in euros)

	2008	2007	Change	% 08	% 07
ASSETS					
<i>Current Assets</i>					
Account receivable (Members)	59 020,52	6 000,00	883,68%	36,92%	4,20%
Accrued income	1 171,90			0,73%	
VAT collectable		102,51	-100,00%		0,07%
Cash and cash equivalent	98 663,07	135 384,02	-27,12%	61,71%	94,83%
Prepaid expenses	202,35			0,13%	
Total current Assets	159 057,84	141 486,53	12,42%	99,49%	99,11%
<i>Tangible Assets</i>					
Computer (net value)	812,07	1 273,10	-36,21%	0,51%	0,89%
Total tangible Assets	812,07	1 273,10	-36,21%	0,51%	0,89%
Total Assets	159 869,91	142 759,63	11,99%	100,00%	100,00%
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable (Suppliers)	17 718,09	2 480,49	614,30%	11,08%	1,74%
Taxes and Benefits (social charges)	33 147,82	36 514,43	-9,22%	20,73%	25,58%
Total current Liabilities	50 865,91	38 994,92	30,44%	31,82%	27,32%
<i>Equity</i>					
Retained earning	103 764,71			64,91%	
Result for the current year	5 239,29	103 764,71	-94,95%	3,28%	72,68%
Total Equity	109 004,00	103 764,71	5,05%	68,18%	72,68%
Total Liabilities	159 869,91	142 759,63	11,99%	100,00%	100,00%

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2007-2008

(in euros)

	2008	2007	Change	% 08	% 07
REVENUE					
Membership subscriptions	339 300,00	282 700,00	20,02%	98,29%	103,78%
Unpaid subscriptions	-18 500,00	-10 300,00	79,61%	-5,36%	-3,78%
Show Devovx in Belgium	23 020,52			6,67%	0,00%
Financial interest	1 171,90			0,34%	0,00%
Miscellaneous	204,53	1,32	15394,70%	0,06%	0,00%
Gain on currency exchange	2,13				
Total revenue	345 199,08	272 401,32	26,72%	100,00%	100,00%

	2008	2007		%	%
OPERATING EXPENSES					
<i>Expenses</i>					
Hosting	59 921,24	32 878,33	82,25%	17,36%	12,07%
Bookkeeping and services	8 071,48	6 010,56	34,29%	2,34%	2,21%
NovaForge Sysadmin (Q1-08)	14 950,00			4,33%	0,00%
MarCom and collaterals	4 769,30	4 096,42	16,43%	1,38%	1,50%
Trademark, publication	5 911,83	2 016,81	193,13%	1,71%	0,74%
Trade shows, Quarterly Meetings	44 705,71	993,35	4400,50%	12,95%	0,36%
Travel expenses	13 953,96	5 949,90	134,52%	4,04%	2,18%
Bank charges	445,01	417,58	6,57%	0,13%	0,15%
Other	1 700,86	1 974,98	-13,88%	0,49%	0,73%
Taxes	12 298,05	1 071,00	1048,28%	3,56%	0,39%
Total expenses	166 727,44	55 408,93	200,90%	48,30%	20,34%
<i>Salaries and Social Benefits</i>					
Salaries	122 810,46	80 550,00	52,46%	35,58%	29,57%
Social benefits	49 920,86	32 567,54	53,28%	14,46%	11,96%
Total Salaries and Benefits	172 731,32	113 117,54	52,70%	50,04%	41,53%
Total operating expense	339 458,76	168 526,47	101,43%	98,34%	61,87%

Result from operations	5 740,32	103 874,85	-94,47%	1,66%	38,13%
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<i>Amortization and Finance</i>					
Amortization on tangible assets	461,03	110,14	318,59%	0,13%	0,04%
Effect of currency exchange rates	-40,00			-0,01%	0,00%

Net result	5 239,29	103 764,71	-94,95%	1,52%	38,09%
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