

OW2 CONSORTIUM

MANAGEMENT DISCUSSION, AND ANALYSIS OF OPERATIONS, AND OF FINANCIAL SITUATION AND RESULTS, FOR THE YEAR ENDED DECEMBER 31, 2010

2010 was OW2's fourth year of operation. While the first year was dedicated mainly to managing the transition from ObjectWeb and implementing our operating procedures, in 2008, we continued to build our organization and started developing our activities. 2009, in an extremely difficult economic context, was a year of contrasts with both continuing expansion and some consolidation. 2010 was the year when OW2 began to achieve international recognition.

Noteworthy events in 2010 and perspectives for 2011 are:

Membership

- Since its inception, 104 legal entities have been registered with OW2, however not all of them became real active members. More meaningful is the number of organizations with fully paid membership fees: 36 in 2010 compared to 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).
- The evolution in 2010 is due to a combination of three factors: the change in our fee structure was deterrent for some corporate members; the end of the first three-year membership commitment which allowed Strategic Members to withdraw; several memberships were cancelled simply because of the difficult economic environment.
- France is still the country with the largest number of members. In 2011, we will concentrate our recruitment efforts on four countries: USA, Germany, Brazil and China. Membership development is a long-term endeavor: recruitment efforts in year n usually do not translate into new members before year n+1. Keeping that in mind, we expect to see a growth in membership in 2012.
- The support of our Strategic Members remains essential. Despite some undergoing major reorganization, we expect the number of Strategic Members to remain stable between 2010 and 2011. In 2011, we are actively working toward the recruitment of at least one Strategic Member (to be signed in 2012).

Activities

- New projects. There were 6 new projects accepted by the Technology Council in 2010 compared to 19 in 2009, 12 in 2008 and 8 in 2007. Contrary to our expectations, less projects were accepted in 2010 than any other year since the inception of OW2. We expect however a significant rebound due to the OW2 community's involvement in several collaborative projects. (Fig. 2).
- Project downloads. The total number of downloads measured by our infrastructure was 2.8 million in 2010 compared to 2.4 million in 2009, an increase of 19%. This figure includes both "Community projects" and "Grey Riders", i.e. two projects which merely use OW2 as a download platform. We expect to be rid of grey riders in 2011.
- The number of community projects downloads is the most meaningful figure, it shows an increase of 46% in 2010 (1.8 million downloads) compared to +44% in 2009, +45% in 2008 and -20% in 2007 (decrease due to the transition from Objectweb. (Fig. 3). We expect the same trend in 2011. The top 20 projects represent 90% of total community downloads (Fig. 4).
- Initiatives. The main event was the launch of the Open Source Cloudware initiative (OSCI) in May 2010. The timely and successful launch of this initiative positioned OW2 center stage in the open source cloud computing movement. The Business Intelligence initiative was reorganized after the withdrawal of its leader as a Strategic Member.
- Local Chapters. In 2010, OW2 established a foothold in North America with the presence of several members. We are now a truly global community with active members in Brazil, China, Europe and North America in 2010. and we must become more efficient at running Local Chapters. While the China LC is active, we have had to put the Europe LC on hold. In 2011, we will work toward establishing LCs in Brazil and North America.

Communication

- In 2010, we organized our second OW2 Annual Conference. This time, despite a budget less than half that of 2009, we chose to make it a stand alone event so as to test our attraction capacity. The event, by all accounts was a success with 150 attendees and speakers from Brazil, China, India, Korea, the USA and many European countries.
- OW2 participated in 20 events worldwide including: OSCON in North America, Solutions Linux and Open World Forum in Europe, and CONSEGI in Brazil. And in China, OW2 organized its first Corporate Networking Meeting. In 2011, budget permitting, we will participate once again in most of these events.
- Our newsletter is sent regularly each month to some 2000 subscribers (compared to 1600 in 2009). Our web site at www.ow2.org is still our main communication platform with all relevant information, OW2 news, press releases and events recorded in dedicated pages. In 2010 we established OW2's presence in noteworthy social networks such as LinkedIn, Twitter and Facebook. In 2011, we will work toward developing blog communication.
- In 2010, we felt OW2 had become a more visible and credible player on the market. However, we still have a long way to go before our communication efforts, still lacking support from our members, reach the critical mass required to achieve appropriate press coverage and global visibility.

Organization:

- Technical Infrastructure: In 2010, we provided 24/7 service on our forge despite growing demands on our sysadmin. State-of-the-art software such as Gitorious and Maven was installed . The Java TCK contract was renegotiated with Oracle and extended to several new JSRs. The web site environment was migrated to an up-to-date Xwiki platform. On the downside, we have had to postpone sine die the forge migration as long as the "anonymous" access is not available on NovaForge. We are currently trying to find a workaround solution.
- Management Office (MO): Running the day-to-day operations of OW2 is becoming increasingly complex and demanding. We can only add resources to the MO gradually, but finding the right mix of expertise while balancing our financial constraints is proving to be an endeavor with many challenges.
- Technology Council (TC): Thanks to the greater availability of our CTO and a new chairman, the TC found a new momentum in 2010. Several important tasks were completed or launched, including: project categorization, dashboards publication, project life cycle redefinition, SQuAT guidance and infrastructure evolution. TC meetings are now mainly conducted via IRC to facilitate virtual participation on a global scale.
- Operations and Ecosystems Councils: they did not operate in 2010 and in 2009, because of a lack of volunteers with the appropriate expertise. .
- Software Quality Assurance and Trustworthiness (SQuAT:) Our main task for the 2010-2011 season is to assert the quality of the code available from OW2. In 2010, we identified tools and negotiated access rights; end 2011, compliance with the SQuAT program will determine whether an OW2 project can be considered mature.
- Collaborative projects: In 2010, OW2 joined two long-term collaborative projects, CHOReOS, a three-year EU FP7 project, and CompatibleOne, a two-year French FUI project. These bring improved financial stability and potential members to OW2. Several new collaborative projects are in preparation in 2011.

2010 was a year of significant progress for OW2 which is now well positioned as one of the top four independent open source organizations in the world. We see three main challenges ahead in 2011: a) to deliver on the promises of the Open Source Cloudware initiative, b) to complete the implementation of our SQuAT quality program, c) to adjust our organization to the expanding scale of operations.

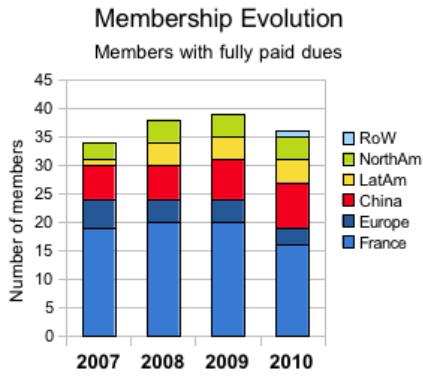


Fig. 1: Total membership Growth

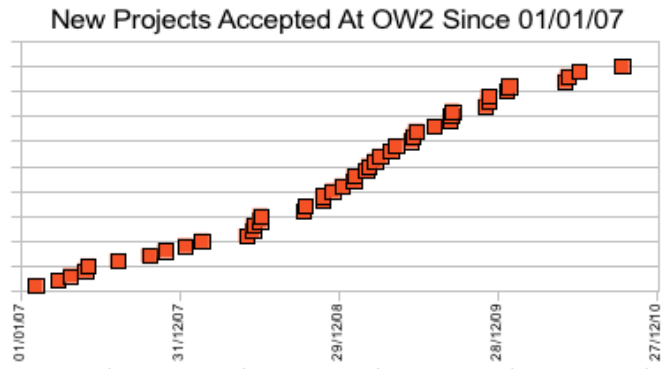


Fig. 2: New OW2 Projects

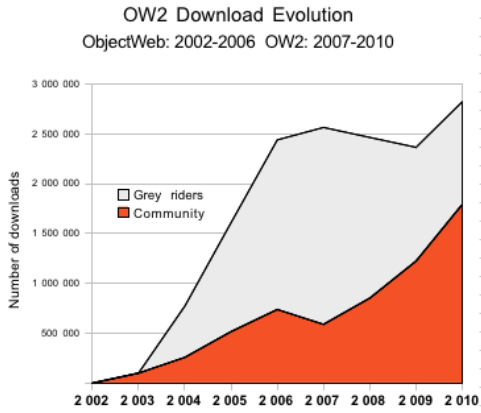
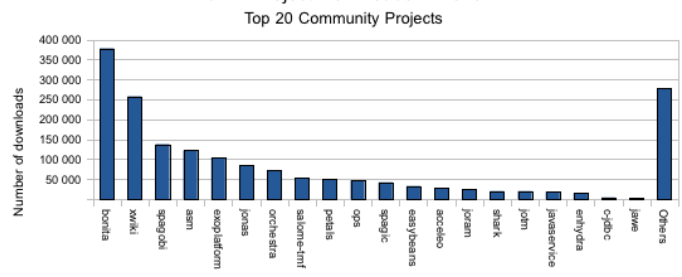


Fig. 3: Downloads Evolution

Fig. 4: Projects Downloads in 2010



FINANCIAL REPORT

The following tables set forth selected financial data for 2007, 2008, 2009 and 2010. The data should be read in conjunction with the "Comptes Annuels de l'Exercice Clos le 31/12/2010", established in compliance with French law by our accountant, Conseil & Management, in Paris.

Revenue: For the year ended December 31, 2010, total revenue increased 13% to €358,147 from €315,985 for the year ended December 31, 2009. This growth occurred despite a significant decrease in membership fees.

Expenses: Total expenses decreased by 6% to €311,519 for the year ended December 31, 2010 from €330,310 for the year ended December 31, 2009. Operating expenses increased 41% due to a progression in our communication activity including collateral and trade shows.

Net result: Net result was positive at 13%% of total revenue for the year ended December 31, 2010 compared to -6.6% for the year ended December 31, 2009.

Cash and cash equivalent: Cash and cash equivalent on December 31, 2010 totaled €263,518, compared to € 61,988 on December 2010. The increase is principally due to an upfront payment by a collaborative project.

OW2 CONSORTIUM BALANCE SHEET 2007-2010

(in euros)

	2010	2009	2008	2007	09/08	08/07	% 10	% 09	% 08	% 07
ASSETS										
<i>Current Assets</i>										
Account receivable (Members)	27 087	59 929	59 021	6 000	1,54%	883,68%	9,24%	48,65%	36,92%	4,20%
Accrued income		362	1 172		-69,11%		0,00%	0,29%	0,73%	
VAT collectable				103		-100,00%				0,07%
Cash and cash equivalent	263 518	61 988	98 663	135 384	-37,17%	-27,12%	89,93%	50,32%	61,71%	94,83%
Prepaid expenses	1 167	550	202		171,81%		0,40%	0,45%	0,13%	
Total current Assets	291 772	122 829	159 058	141 487	-22,78%	12,42%	99,58%	99,72%	99,49%	99,11%
<i>Tangible Assets</i>										
Computer (net value)	1 240	351	812	1 273	-56,78%	-36,21%	0,42%	0,28%	0,51%	0,89%
Total tangible Assets	1 240	351	812	1 273	-56,78%	-36,21%	0,42%	0,28%	0,51%	0,89%
Total Assets	293 012	123 180	159 870	142 760	-22,95%	11,99%	100,00%	100,00%	100,00%	100,00%
	2010	2 009	2 008	2 007	Change	Change	% 09	% 09	% 08	% 07
LIABILITIES										
<i>Current Liabilities</i>										
Accounts payable (Suppliers)	13 014	4 938	17 718	2 480	-72,13%	614,30%	4,44%	3,82%	11,08%	1,74%
Other debts and equivalents	102 992	294								
Taxes and Benefits (social charges)	35 698	29 266	33 148	36 514	-11,71%	-9,22%	12,18%	22,66%	20,73%	25,58%
Total current Liabilities	151 704	34 498	50 866	38 995	-32,18%	30,44%	51,77%	26,71%	31,82%	27,32%
<i>Equity</i>										
Retained earning	94 682	109 004	103 765		5,05%		32,31%	84,38%	64,91%	
Result for the current year	46 627	-14 322	5 239	103 765	-373,36%	-94,95%	15,91%	-11,09%	3,28%	72,68%
Total Equity	141 309	94 682	109 004	103 765	-13,14%	5,05%	48,23%	73,29%	68,18%	72,68%
Total Liabilities	293 013	129 180	159 870	142 760	-19,20%	11,99%	100,00%	100,00%	100,00%	100,00%

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2009-2010

(in euros)

	2010	2009	10/09	%10	%09
Membership subscriptions	257 980 €	310 600 €	-17%	72%	98%
Subsidies	20 533 €	€	-	6%	%
Sponsoring Confs, Progr. Contest, etc.	6 000 €	5 000 €	20%	2%	2%
Financial interest	439 €	€	-	%	%
Miscellaneous	14 €	14 €	0%	%	%
Gain/loss on currency exchange	€	371 €	-100%	%	%
Exceptionnal result	73 181 €	€	-	20%	%
	€	€	-	%	%
	358 147 €	315 985 €	13%	100,0%	100,0%
EXPENSES	2010	2009	10/09	In % of total revenue:	
Hosting	36 165 €	36 865 €	-2%	10%	12%
Book keeping and services	8 305 €	7 224 €	15%	2%	2%
IT support	17 701 €	€	-	5%	%
Programming contest	2 561 €	3 000 €	-15%	1%	1%
Marcom & Collateral	15 386 €	1 785 €	762%	4%	1%
Insurance, Dues	1 374 €	1 178 €	17%	%	%
	€	€	-	%	%
Trade shows, Quarterly Meetings	21 588 €	11 628 €	86%	6%	4%
Travel expenses	8 470 €	13 815 €	-39%	2%	4%
Bank charges	391 €	385 €	2%	%	%
Others (storage, stationary, postage, fees, equipment, etc)	4 104 €	2 388 €	72%	1%	1%
Taxes and equivalent	12 338 €	12 940 €	-5%	3%	4%
Total operating expenses	128 383 €	91 208 €	41%	36%	29%
<i>Salaries and benefits</i>			-		
Salaries	129 249 €	126 781 €	2%	36%	40%
Social charges	53 023 €	51 763 €	2%	15%	16%
Total Salaries and Benefits	182 272 €	178 544 €	2%	51%	57%
<i>Amortization and Finance</i>			-		
Provision for defaulting fee payments	€	60 000 €	-100%	,0%	19,0%
Other expenses	34 €	5 €	580%	,0%	,0%
Amortization on tangible assets	359 €	461 €	-22%	,1%	,1%
Loss on currency exchange	471 €	92 €	412%	,1%	,0%
Total Amortization and Finance	864 €	60 558 €	-99%	,2%	19,2%
	311 519 €	330 310 €	-6%	87,0%	85,5%
	46 628 €	-14 325 €	-	13,0%	-4,5%