OW2 CONSORTIUM


MANAGEMENT DISCUSSION, AND ANALYSIS OF OPERATIONS,
AND OF FINANCIAL SITUATION AND RESULTS, FOR THE YEAR ENDED DECEMBER 31, 2011


**Introduction**

2012 was OW2's fifth year of operation. After building our organization and having acheived international recognition over the first four years, 2012 was characterized by a significant number of new members and the launch of several cloud-oriented collaborative projects.

Noteworthy events in 2011 and perspectives for 2012 are:

**Membership**

–       In 2011, we recruited 14 new members. Since its inception, some 120 legal entities have been registered with OW2, however not all of them maintained an active membership. The churn rate is significant and, while there is no doubt our ecosystem is growing, the number of members with fully paid membership remains more or less stable: 34 in 2011, 36 in 2010 compared to 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).

–       New membership is currently driven by registrations from Europe and China, however, France is still the country with the largest number of members. In 2012, we will continue our recruitment efforts in USA, Europe, Brazil and China. In 2012, we are actively working toward the recruitment of at least one new Strategic Member.

**Activities**

–       New projects. There were 9 new projects accepted by the Technology Council in 2011 compared to 6 in 2010, 19 in 2009, 12 in 2008 and 8 in 2007. Project submission is driven by new members, by the OW2 community's involvement in several collaborative projects and by the OW2 programming contest. (Fig. 2).

–       Collaborative projects: We successfully delivered on CHOReOS and CompatibleOne With CompatibleOne, we demonstrated the first open source cloud broker and achieved global recognition as a leading open source community in the cloud computing market. Collaborative projects are becoming a significant part of our activity because OW2 has become in Europe a reference partner for collaborative projects pursuing an open source strategy. We helped initiate two new collaborative projects, OpenCloudware and XLcloud, and were invited to take part in three more.

–       Initiatives. The activity of the Open Source Cloudware initiative (OSCi) launched in May 2010 concentrated on collaborative projects including CompatibeOne, OpenCloudware and XLcloud. This strategy contributed to increasing OW2's international visibility. We also started working toward the Future Internet initiative to be launched in 2012 and supported by the CHOReOS collaborative project.


**Communication**

–       In 2011, we extended our promotion resources with video communication. We launched the OW2 channel on YouTube to publish videos of our project presentations and events. Our newsletter is sent regularly each month to some 2750 subscribers (compared to 2000 in 2010 and 1600 in 2009). OW2 is also present in noteworthy social networks such as LinkedIn, Twitter and Facebook. In 2011, however, we did not manage to develop blog communications as planned.

–       This year again, OW2 participated in some 20 events worldwide including: OSCON in North America, Cloud Expo Europe, Solutions Linux and Open World Forum in Europe, and FISL in Brazil. In 2012, budget permitting, we will participate once again in most of these events. We are planning a significant presence at Cloud Expo West to help launch CompatibleOne in the Silicon Valley.

–       We successfully organized OW2con'11 our third OW2 Annual Conference and the first China Open Source Week (COSW) which, by all accounts, were a great success. These major events where in large part financially supported through sponsorship. In 2012 we will renew these events and we have launched their organization well in advance so as to improve promotion and grow ther number of attendees.

**Organization**:

–       Technical Infrastructure: In 2011, we improved the uptime of our 24/7 forge service to 364d 12h 56m 42s, or 99.874%, despite growing demands on our systems. State-of-the-art software such as Sonatype Nexus Professional and Sonar was installed, and we have upgraded many of our infrastructure software to the latest versions (including xWiki, Jira, Bamboo, etc.). On the downside, we still have to make tangible progress with the forge upgrade to provide more modern services.

–       Management Office (MO): Our priority was to implement Software Quality Assurance and Trustworthiness (SQuAT), our quality program aimed at enhancing the perceived quality of OW2 projects. While well advanced in the deployment process we consider we are six months late in its deployment. Last year we also announced our intention to adjust our organization to the expanding scale of operations. This effort resulted in the recruitment of a webmaster and an administrative assistant.

–       Technology Council (TC): In 2011, the TC participated in the improvement of the infrastructure offered to OW2 projects. The publication of project dashboards is now complete for all Mature and Incubator projects, and SQuAT information is progressively being included in the dashboards. TC meetings are mainly conducted via IRC to facilitate virtual participation on a global scale, with a goal of three face-to-face additional meetings during OW2 events.

**Conclusion**

Last year we wrote: "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." While we are progressing slower than expected on the second challenge, we delivered quite satisfactorily on the two other ones.

The main challenge this year for OW2, as our momentum builds, is keep our focus on delivering value to our members. We will continue to improve OW2 in 2012 by working more closely with our members, completing the deployment of the SQuAT quality program, leveraging our collaborative projects to enhance our cloud computing positioning and, on the event side, growing non-community attendance at COSW and OW2con and investing in events in Latin and North America.
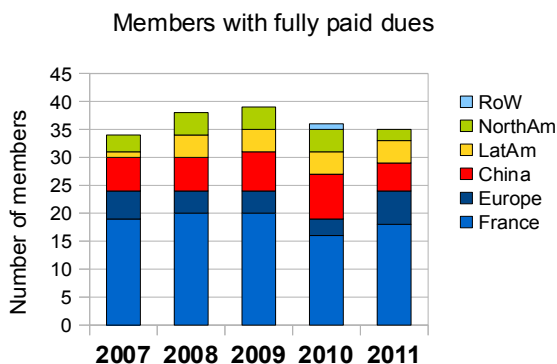
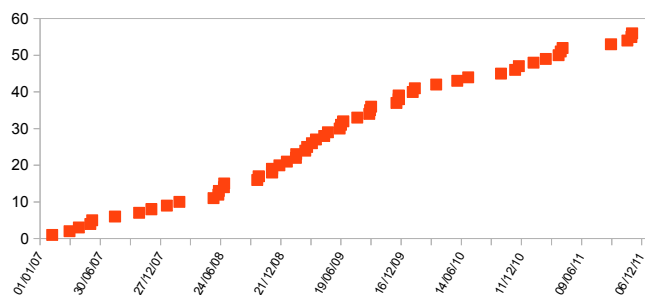Fig. 1: Total membership Evolution                    Fig. 2: New OW2 Projects

**FINANCIAL REPORT**

The following tables set forth selected financial data since the inception of OW2. The data should be read in conjunction with the "Comptes Annuels de l'Exercice Clos le 31/12/2011", established in compliance with French law by our book keeping firm, Conseil & Management, in Paris.

For the year ended December 31, 2011, OW2 shows a growing revenue and a positive result and ends the year with enough cash to pursue its operations according to plan until membership payments for 2012 start coming in.

*Revenue*: For the year ended December 31, 2011, total revenue increased 23% to 440,043 compared to 13% and €358,147 for the year ended December 31, 2010. This growth reflect a positive evolution in all three compartments of our revenue: membership fees (+18%), subsidies (+457%) and sponsoring (+233%).

*Expenses*: Total expenses for the year ended December 31, 2011, increased by 37% to €426,375 compared to a 6% decrease to €311,519 for the year ended December 31, 2010. However this increase is essentially due to a sharp growth in provision for defaulting payment while operating expenses only increased by 7%.

*Net result*: Net result was positive at 3.1% of total revenue for the year ended December 31, 2011 compared to 13% for the year ended December 31, 2010.

*Cash and cash equivalent*: Cash and cash equivalent on December 31, 2011 totaled €181.577 compared to €263,518 on December 31, 2010.

**OW2 CONSORTIUM BALANCE SHEET 2007-2011**

(in euros)

| | 2011 | 2010 | 2009 | 2008 | 2007 | %11 | % 10 | % 09 | % 08 | % 07 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | |
| *Current Assets* | | | | | | | | | | |
| Account receivable (Members) | 42 887 | 27 087 | 59 929 | 59 021 | 6 000 | 18,94% | 9,24% | 48,65% | 36,92% | 4,20% |
| Accrued income | | | 362 | 1 172 | | 0,00% | 0,00% | 0,29% | 0,73% | |
| VAT collectable | | | | | 103 | | | | | 0,07% |
| Cash and cash equivalent | 181 577 | 263 518 | 61 988 | 98 663 | 135 384 | 80,17% | 89,93% | 50,32% | 61,71% | 94,83% |
| Prepaid expenses | 0 | 1 167 | 550 | 202 | | 0,00% | 0,40% | 0,45% | 0,13% | |
| **Total current Assets** | 224 464 | 291 772 | 122 829 | 159 058 | 141 487 | 99,10% | 99,58% | 99,72% | 99,49% | 99,11% |
| *Tangible Assets* | | | | | | | | | | |
| Computer (net value) | 2 028 | 1 240 | 351 | 812 | 1 273 | 0,90% | 0,42% | 0,28% | 0,51% | 0,89% |
| **Total tangible Assets** | 2 028 | 1 240 | 351 | 812 | 1 273 | 0,90% | 0,42% | 0,28% | 0,51% | 0,89% |
| **Total Assets** | 226 493 | 293 012 | 123 180 | 159 870 | 142 760 | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% |

| | 2010 | 2 009 | 2 008 | 2 007 | % 09 | % 09 | % 09 | % 08 | % 07 |
|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | | | |
| *Current Liabilities* | | | | | | | | | |
| Accounts payable (Suppliers) | 23 080 | 13 014 | 4 938 | 17 718 | 2 480 | 10,19% | 4,44% | 3,82% | 11,08% | 1,74% |
| Other debts and equivalents | 22 217 | 102 992 | 294 | | | | | | | |
| Taxes and Benefits (social charges) | 26 230 | 35 709 | 29 266 | 33 148 | 36 514 | 11,58% | 12,19% | 22,66% | 20,73% | 25,58% |
| **Total current Liabilities** | 71 527 | 151 714 | 34 498 | 50 866 | 38 995 | 31,58% | 51,78% | 26,71% | 31,82% | 27,32% |
| *Equity* | | | | | | | | | | |
| Retained earning | 141 298 | 94 682 | 109 004 | 103 765 | | 62,39% | 32,31% | 84,38% | 64,91% | |
| Result for the current year | 13 668 | 46 616 | -14 322 | 5 239 | 103 765 | 6,03% | 15,91% | -11,09% | 3,28% | 72,68% |
| **Total Equity** | 154 966 | 141 298 | 94 682 | 109 004 | 103 765 | 68,42% | 48,22% | 73,29% | 68,18% | 72,68% |
| **Total Liabilities** | 226 493 | 293 012 | 129 180 | 159 870 | 142 760 | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% |

Note: The second table's header row shows columns labeled 2010, 2 009, 2 008, 2 007, % 09, % 09, % 09, % 08, % 07; the data values align under 2011, 2010, 2009, 2008, 2007 positions respectively.

**OW2 CONSORTIUM STATEMENT OF OPERATIONS 2009-2011**
(in euros)

| REVENUE | 2011 | 2010 | 2009 | 11/10 | 10/09 | %11 | %10 | %09 |
|---|---|---|---|---|---|---|---|---|
| Membership subscriptions (Call for dues) | 305 000 € | 257 980 € | 310 600 € | 18% | -17% | 69% | 72% | 98% |
| Subsidies | 114 354 € | 20 533 € | € | 457% | - | 26% | 6% | % |
| Sponsoring Confs, Progr. Contest, etc. | 20 000 € | 6 000 € | 5 000 € | 233% | 20% | 5% | 2% | 2% |
| Financial interest | 525 € | 439 € | € | 20% | - | % | % | % |
| Miscellaneous | 147 € | 14 € | 14 € | 979% | -3% | % | % | % |
| Gain on currency exchange | 17 € | € | 371 € | - | -100% | % | % | % |
| Exceptionnal result | | 73 181 € | € | -100% | - | % | 20% | % |
| | | € | € | - | - | % | % | % |
| | **440 043 €** | **358 147 €** | **315 985 €** | **23%** | **13%** | **100,0%** | **100,0%** | **100,0%** |

| EXPENSES | 2011 | 2010 | 2009 | 11/10 | 10/09 | In % of total revenue: | | |
|---|---|---|---|---|---|---|---|---|
| Hosting | 36 167 € | 36 165 € | 36 865 € | 0% | -2% | 8% | 10% | 12% |
| Book keeping and services | 7 810 € | 8 305 € | 7 224 € | -6% | 15% | 2% | 2% | 2% |
| IT support and other services | 5 317 € | 17 701 € | | -70% | - | 1% | 5% | % |
| Programming contest | 2 492 € | 2 561 € | 3 000 € | -3% | -15% | 1% | 1% | 1% |
| Marcom & Collateral | 4 817 € | 15 386 € | 1 785 € | -69% | 762% | 1% | 4% | 1% |
| Insurance, Dues | 1 287 € | 1 374 € | 1 178 € | -6% | 17% | % | % | % |
| Trade shows | 40 418 € | 21 588 € | 11 628 € | 87% | 86% | 9% | 6% | 4% |
| Travel expenses | 18 897 € | 8 470 € | 13 815 € | 123% | -39% | 4% | 2% | 4% |
| Bank charges | 514 € | 391 € | 385 € | 31% | 2% | % | % | % |
| Others (storage, stationary, postage, fees, equipment, etc) | 6 712 € | 4 104 € | 2 388 € | 64% | 72% | 2% | 1% | 1% |
| Taxes and equivalent | 13 039 € | 12 338 € | 12 940 € | 6% | -5% | 3% | 3% | 4% |
| **Total operating expenses** | **137 469 €** | **128 383 €** | **91 208 €** | **7%** | **41%** | **31%** | **36%** | **29%** |
| *Salaries and benefits* | | | | - | - | | | |
| Salaries | 163 884 € | 129 249 € | 126 781 € | 27% | 2% | 37% | 36% | 40% |
| Social charges | 66 606 € | 53 023 € | 51 763 € | 26% | 2% | 15% | 15% | 16% |
| **Total Salaries and Benefits** | **230 490 €** | **182 272 €** | **178 544 €** | **26%** | **2%** | **52%** | **51%** | **57%** |
| *Amortization and Finance* | | | | - | - | | | |
| Provision for defaulting fee payments | 57 400 € | € | 60 000 € | - | -100% | 13,0% | ,0% | 19,0% |
| Other expenses | 31 € | 45 € | 5 € | -32% | 808% | ,0% | ,0% | ,0% |
| Amortization on tangible assets | 656 € | 359 € | 461 € | 83% | -22% | ,1% | ,1% | ,1% |
| Loss on currency exchange | 330 € | 471 € | 92 € | -30% | 412% | ,1% | ,1% | ,0% |
| **Total Amortization and Finance** | **58 416 €** | **875 €** | **60 558 €** | **6573%** | **-99%** | **13,3%** | **,2%** | **19,2%** |
| | **426 375 €** | **311 530 €** | **330 310 €** | **37%** | **-6%** | **83,8%** | **87,0%** | **85,5%** |

| RESULT | 2011 | 2010 | 2009 | 11/10 | 10/09 | %11 | %10 | %09 |
|---|---|---|---|---|---|---|---|---|
| **RESULT** | **13 668 €** | **46 616 €** | **-14 325 €** | **-71%** | **-** | **3,1%** | **13,0%** | **-4,5%** |