MANAGEMENT DISCUSSION, AND ANALYSIS OF OPERATIONS, AND OF FINANCIAL SITUATION AND RESULTS, FOR THE YEAR ENDED DECEMBER 31, 2012

Introduction

2012 was OW2's sixth year of operation. This year was characterized by a significant increase in the activity related to collaborative projects, the impact will continue throughout 2013.

Membership

- In 2012, we recruited 7 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, this year again we see the number of members with fully paid membership remains more or less stable: 37 in 2012 compared to 35 in 2011, 36 in 2010, 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).
- New members in 2012 were recruited in France (5) and Brazil (2). France is still the country with the largest number of members. In 2013, we aim at developing recruitment in Europe and we are also working toward the recruitment of at least one new Strategic Member. OW2's geographical footprint remains in the same hierarchy (Fig. 2), the fastest growing region being North-America (+8.6%).

Activities

- New projects. There were 11 new projects accepted by the Technology Council in 2012, the same number as in 2011 compared to 6 in 2010, 19 in 2009, 12 in 2008 and 8 in 2007. Project submission is essentially driven by new members and by the OW2 community's involvement in several collaborative projects. (Fig. 3).
- Collaborative projects: In 2012 the OW2 Management Office started working on four newly accepted publicly financed collaborative projects, OpenCloudWare, XLcloud, RISCOSS and OCEAN. These came in addition to CHOReOS and CompatibleOne. CompatibleOne was finalized end-2012 after its successful launch at Cloud Expo West in Santa Clara.
- Initiatives. The activity of the Open Source Cloudware initiative (OSCi) launched in May 2010 continued on collaborative projects including OCEAN, CompatibeOne, OpenCloudware and XLcloud. We also set the stage for the Future Internet Software and Services initiative (FISSi) which was accepted bay the board in September 2012. This initiative is an extension of the CHOReOS collaborative project.

Communication

- We maintain seven websites: ow2.org, compatibleone.org, opencloudware.org, xlcloud.org, choreos.eu, ocean-project.eu and riscoss.euOur newsletter is sent regularly each month to some 2750 subscribers. OW2 is also present in noteworthy social sharing platforms such as LinkedIn, Twitter, SlideShare and YouTube where the OW2 channel publishes videos of our project presentations and events including all presentations given at OW2copn'12.
- This year again, OW2 was involved in some 20 events worldwide. The main third-party events in which OW2 showcased its projects and community include: OSCON and Cloud Expo West in North America, Cloud Expo Europe, Solutions Linux, Cloud World Exp and Open World Forum in Europe, and FISL in Brazil. Thanks to the support of collaborative projects we could invest significant efforts on Cloud Expo West in North America, and FISL in Brazil.
- We successfully organized OW2con'12 our fourth OW2 Annual Conference, the second China Open Source Week (COSW) and the first OW2 Brazil Roadshow. These major events where in large part financially supported through sponsorship. In 2013 we will renew these events and we endeavor to launch their organization well in advance so as to improve promotion and grow their number of attendees.

Organization:

Technical Infrastructure: In 2012 we installed two new machines to provide our projects with a

cloud infrastructure for testing and demonstration purpose. While we are offering Git, either online (GitHub) or in-house (Gitorious) our forge is falling behind state-of-the-art and if the upgrade that was promised does not materialize, we will have to consider alternatives. In 2013, we need to significantly reassess and invest in the support organization of our technical infrastructure.

- Management Office (MO): While providing financial stability, collaborative projects are stretching our resource thin and limited our efforts in implementing our quality program aimed at enhancing the perceived quality of OW2 projects. We can consider the Software Quality Assurance and Trustworthiness (SQuAT) is six to twelve months late in its deployment. We recruited a new Community Coordinator and we have opened a part-time position for an in-house SysAdmin.
- Technology Council (TC): In 2012, the TC held four meetings and redefined the criteria for upgrading projects from incubation to mature according to the projects compliance with the SQuAT program. In 2013, TC and MO will work closely to enforce these criteria throughout the OW2 code base.

Conclusion

In 2012 and 2013, the activity of OW2 is significantly impacted by the collaborative projects in which we are involved. While these projects provide financial stability and additional resources to the organization the new workload changes the nature of the work the Management Office has to perform. The challenge is to deliver successfully on these projects while leveraging them on a global scale for the benefit of the community and our projects.

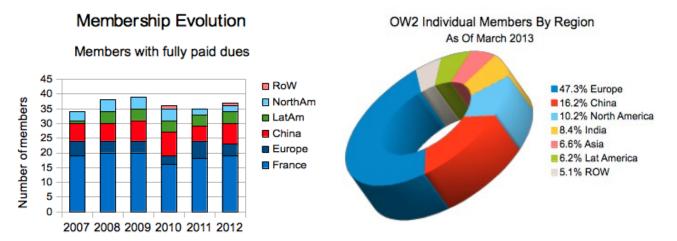


Fig. 1: Total membership Evolution

Fig. 2: OW2 Geographical Footprint

80 70 60 50 40 30 20 10

New Projects Accepted at OW2 Since Inception in January 2007

Fig. 2: New OW2 Projects

FINANCIAL REPORT

The following tables set forth in a USGAAP-like presentation, selected financial data since the inception of OW2. The data should be read in conjunction with the *Comptes Annuels de l'Exercice Clos le 31/12/2012*, established in compliance with French law by our book keeping firm, Conseil & Management, in Paris.

For the year ended December 31, 2012, 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 2013 start coming in. The structure of our accounts in 2012 is significantly different than previous years due to the accounting impact of the four new collaborative projects that were initiated during the year.

Revenue: For the year ended December 31, 2012, total revenue increased 92% to €737,968 compared to 7% and €384,108 for the year ended December 31, 2011. This growth reflect a positive evolution in membership fees (+25%), subsidies (+206%) while sponsoring decreased moderately (-4%).

Expenses: Total expenses for the year ended December 31, 2012, increased by 59% to €592,601 compared to a 19% and €371,591 for the year ended December 31, 2011. This increase is essentially due to a sharp growth conference expenses from collaborative projects budgets and the clean-up of provision for defaulting payment carried over since 2010.

Net result: Net result was positive at 19.7% of total revenue for the year ended December 31, 2012 compared to 3.3% for the year ended December 31, 2011.

Cash and cash equivalent: Cash and cash equivalent on December 31, 2012 totaled €388,984 compared to €181.577 on December 31, 2011.

OW2 CONSORTIUM BALANCE SHEET 2007-2012

(in euros)												
	2012	2011	2010	2009	2008	2007	%12	%11	% 10	% 09	% 08	% 07
ASSETS												
Current Assets												
Account receivable	742,117	42,887	27,087	59,929	59,021	6,000	65.47%	18.94%	9.24%	48.65%	36.92%	4.20%
Accrued income				362	1,172		0.00%	0.00%	0.00%	0.29%	0.73%	
VAT collectable						103						0.07%
Cash and cash equivalent	388,984	181,577	263,518	61,988	98,663	135,384	34.32%	80.17%	89.93%	50.32%	61.71%	94.83%
Prepaid expenses		0	1,167	550	202		0.00%	0.00%	0.40%	0.45%	0.13%	
Total current Assets	1,131,101	224,464	291,772	122,829	159,058	141,487	99.78%	99.10%	99.58%	99.72%	99.49%	99.11%
Tangible Assets												
Office Equipment (net value)	2,446	2,028	1,240	351	812	1,273	0.22%	0.90%	0.42%	0.28%	0.51%	0.89%
Total tangible Assets	2,446	2,028	1,240	351	812	1,273	0.22%	0.90%	0.42%	0.28%	0.51%	0.89%
Total Assets	1,133,547	226,493	293,012	123,180	159,870	142,760	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
		2011	2010	2009	2008	2007 0	%12	%11	% 10	% 09	% 08	% 07
LIABILITIES												
Current Liabilities												
Accounts payable	47.564	23.220	13.014	4.938	17.718	2,480	4.20%	10.25%	4.44%	3.82%	11.08%	1.74%
Other debts and equivalents	294	20,838	102,992	294								
Taxes and Benefits (social charges)	50,446	28,619	35,709	29,266	33,148	36,514	4.45%	12.64%	12.19%	22.66%	20.73%	25.58%
Deferred income	736,059						64.93%					
Total current Liabilities												
	834,364	72,677	151,714	34,498	50,866	38,995	73.61%	32.09%	51.78%	26.71%	31.82%	27.32%
Equity	•	72,677	151,714	34,498	50,866	38,995		32.09%	51.78%	26.71%	31.82%	27.32%
Equity Retained earning	•	72,677 141,298	151,714 94,682	34,498 109,004	50,866 103,765	38,995		32.09% 62.39%	51.78% 32.31%	26.71% 84.38%	31.82% 64.91%	27.32%
	834,364		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,	38,995 103,765	73.61%					27.32% 72.68%
Retained earning	834,364 153,816	141,298	94,682	109,004	103,765	·	73.61% 13.57%	62.39%	32.31%	84.38%	64.91%	

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2009-2012

(in euros)											
REVENUE	2012	2011	2010	2009	12/11	11/10	10/09	%12	%11	%10	%09
			057.000.0							700	
Membership subscriptions (Call for dues)	308,566 €	247,600€	257,980 €	310,600€	25%	-4%	-17%	42%	64%	72%	98%
Subsidies	350,176€	114,354 €	20,533 €	€	206%	457%	-	47%	30%	6%	%
Sponsoring Confs, Progr. Contest, etc.	19,250€	20,000€	6,000€	5,000€	-4%	233%	20%	3%	5%	2%	2%
Reversal of provision	57,400€	€	€	€	-	-	-	8%	%	%	%
Financial interest	2,520€	525€	439€	€	380%	20%	-	%	%	%	%
Miscellaneous	3€	1,612€	14 €	14€	-100%	11753%	-3%	%	%	%	%
Gain on currency exchange	53€	17€	€	371 €	212%	-	-100%	%	%	%	%
Exceptionnal result			73,181 €	€	-	-100%	-	%	%	20%	%
			€	€	-	-	-	%	%	%	%
	737,968 €	384,108 €	358,147 €	315,985 €	92%	7%	13%	100.0%	100.0%	100.0%	100.0%
EXPENSES	2012 2011 2010 2009 12/11 11/10 10/09 n % of total revof total revenue:										

Hosting	47,802€	36,167€	36,165€	36,865€	32%	0%	-2%	6%	9%	10%	12%
Book keeping and services	8,605€	7,810€	8,305€	7,224€	10%	-6%	15%	1%	2%	2%	2%
IT support and other services	22,538€	5,317€	17,701 €		324%	-70%	-	3%	1%	5%	%
Programming contest	2,784€	2,492€	2,561 €	3,000€	12%	-3%	-15%	%	1%	1%	1%
Marcom & Collateral	12,255€	4,817€	15,386 €	1,785€	154%	-69%	762%	2%	1%	4%	1%
Insurance, Dues	2,837€	1,287€	1,374€	1,178€	120%	-6%	17%	%	%	%	%
Trade shows	106,384 €	40,418€	21,588 €	11,628€	163%	87%	86%	14%	11%	6%	4%
Travel expenses	28,730€	18,897€	8,470€	13,815€	52%	123%	-39%	4%	5%	2%	4%
Bank charges	1,127€	514€	391 €	385€	119%	31%	2%	%	%	%	%
Others (storage, stationary, postage,											
fees, equipment, etc)	6,411 €	6,938€	4,104€	2,388€	-8%	69%	72%	1%	2%	1%	1%
Taxes and equivalent	17,552€	15,428€	12,338 €	12,940€	14%	25%	-5%	2%	4%	3%	4%
Total operating expenses	257,025€	140,084€	128,383€	91,208€	83%	9%	41%	35%	36%	36%	29%
Salaries and benefits					-	-	-				
Salaries	195,354€	163,884€	129,249 €	126,781 €	19%	27%	2%	26%	43%	36%	40%
Social charges	79,594€	66,606€	53,023€	51,763€	19%	26%	2%	11%	17%	15%	16%
Total Salaries and Benefits	274,948 €	230,490€	182,272€	178,544€	19%	26%	2%	37%	60%	51%	57%
Amortization and Finance					-	-	-				
Provision for defaulting fee payments	12,300€		€	60,000€	-	-	-100%	1.7%	.0%	.0%	19.0%
Other expenses	46,908€	31€	45€	5€	###	-32%	808%	6.4%	.0%	.0%	.0%
Amortization on tangible assets	849€	656€	359€	461 €	29%	83%	-22%	.1%	.2%	.1%	.1%
Loss on currency exchange	571€	330€	471 €	92€	73%	-30%	412%	.1%	.1%	.1%	.0%
Total Amortization and Finance	60,628€	1,016€	875€	60,558€	5866%	16%	-99%	8.2%	.3%	.2%	19.2%
	592,601 €	371,591 €	311,530 €	330,310 €	59%	19%	-6%	72.3%	96.7%	87.0%	85.5%
RESULT	145,367 €	12,517 €	46,616 €	-14,325€	1061%	-73%	-	19.7%	3.3%	13.0%	-4.5%