

MANAGEMENT DISCUSSION, AND ANALYSIS OF OPERATIONS,
AND OF FINANCIAL SITUATION AND RESULTS, FOR THE YEAR ENDED DECEMBER 31, 2013

Introduction

Looking back, 2013 was a year of great contrasts. While it saw OW2's obvious progress in the cloud computing arena and the European Commission ecosystem, it was a year of transition and uncertainty as far as our membership and code base are concerned.

Membership

– In 2013, the number of paying members was our highest, along with 2009, since the inception of the consortium: 39 in 2013 compared to 37 in 2012, 35 in 2011, 36 in 2010, 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1 and 2). However while we recruited four new Corporate Members, the churn rate remains significant and two of our Strategic Members reassessed their open source strategies and changed their status to a corporate membership.

– New members are still essentially recruited in France. Our efforts to increase membership in Europe and toward the recruitment of at least one new Strategic Member did provide some leads but no actual new members. The number of Individual Members grew by 7% and, over the last year, the structure of OW2's geographical footprint is remarkably stable (Fig. 3).

Activities

– New projects. There was only one new project accepted by the Technology Council in 2013 compared to 11 in 2012, the same number in 2011, 6 in 2010, 19 in 2009, 12 in 2008 and 8 in 2007. This poor result in project submissions can be explained by several reasons including GitHub attractiveness, the replacement of our CTO and our concentration on collaborative projects.

– Collaborative projects: In 2013 the OW2 Management Office was heavily involved in five publicly financed collaborative projects: OpenCloudWare, XLcloud, RISCOSS, OCEAN and CHOReOS, the later being successfully completed toward the end of the year.

– Initiatives. The activity of the Open Source Cloudware initiative (OSCi) was carried by cloud-oriented collaborative projects including OCEAN, OpenCloudware, XLcloud and CompatibeOne. The Future Internet Software and Services initiative (FISSI) was launched with an exhibition at CeBIT and the first release of the CHOReOS platform. We also worked on evolving the BI initiative into the Big Data initiative..

Communication

– We maintain six websites: ow2.org, opencloudware.org, xlcloud.org, choreos.eu, ocean-project.eu and riscoss.eu. Our newsletter sent regularly each month to 2650 addresses (+3.5% over the year before), 17% of the recipients open it and 13% click at least on one link. We also maintain a presence on LinkedIn, Twitter, SlideShare and YouTube where the OW2 channel publishes videos of our project presentations and events including all presentations given at OW2con'13.

– In 2013, OW2 was involved in some 20 events worldwide. The main third-party events in which OW2 showcased its projects and community included: OSCON in North America, Cloud Expo Europe, CeBIT, Solutions Linux, Cloud Computing World Exp and Open World Forum in Europe, and the China Cloud Computing Conference.

– We successfully organized OW2con'13 our fifth OW2 Annual Conference, with live streaming and video capture of all presentations. However due to lack of members interest, we did not reproduce the Brazil Road Show nor the China Open Source Week.

Organization:

- Technical Infrastructure: In 2013 we successfully launched ow2stack, our cloud platform running OpenStack. This platform was opened for collaborative projects and is now used by OW2 projects. In 2013 we started working on a plan to migrate our forge. This is a highly critical and very complex project for which we need to obtain a community consensus in 2014.
- Management Office (MO): In 2013 the team's activity was fully impacted by the efforts that had to be dedicated to collaborative projects and by the replacement of our CTO. Fortunately, we quickly filled the part-time position we had opened for an in-house SysAdmin and our technical infrastructure has suffered no lack of administration.
- Technology Council (TC): In 2013, the TC held five meetings and carried extensive discussions about the redefinition of our technical infrastructure. .

Conclusion and outlook

In 2013, our activity was constrained by our commitment to collaborative projects and seriously hampered by the repositioning of two of our Strategic Members. Fortunately, our fundamentals are good: OW2 is enjoying more visibility and recognition than ever before, we have the opportunity to develop strategic relationships with the Eclipse and the OpenStack foundations. Our quality program, SQuAT, is a key differentiator; we have a well-defined value proposal to support large and complex collaborative projects; our cloud platform, ow2stack, is operational; and our initiatives – OSCi, FISSi and the newly rebranded BI & Big Data initiative – are properly aligned with key market trends. In 2014, we intensify our efforts to recruit more members, more projects and grow further the reputation of OW2, its projects and members.

OW2 - Membership Evolution

Legal Entity Members

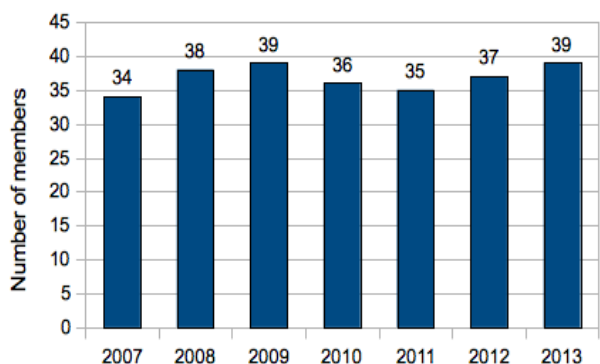


Fig. 1: Total membership Evolution

Membership Evolution

Members with fully paid dues

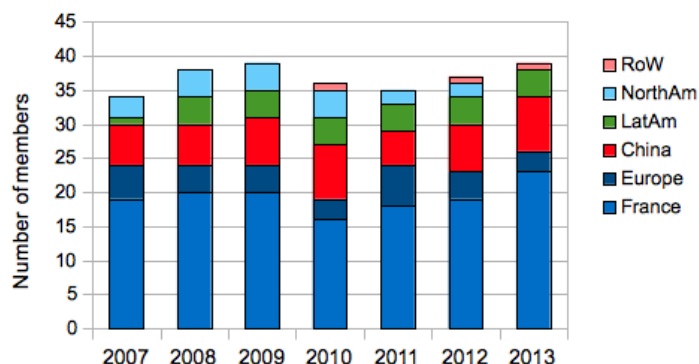


Fig. 2: Legal Entity Members by Geography

OW2 Individual Members By Region
As Of March 2014

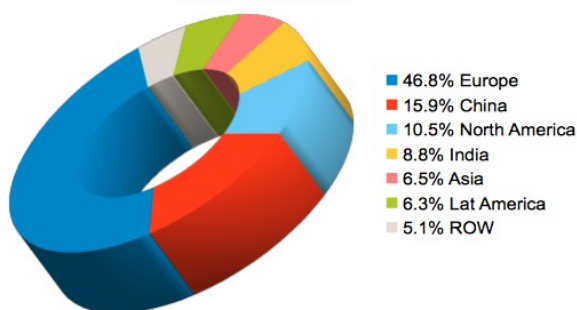


Fig. 3: OW2 Geographical Footprint

FINANCIAL REPORT

The following tables set forth in a US GAAP-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 31/12/2013*, established in compliance with French law by our book keeping firm in Paris.

Despite a decreasing revenue and for the year ended December 31, 2013, OW2 shows a positive result and ends the year with enough cash to pursue its operations according to plan until membership payments for 2014 start coming in.

Revenue: For the year ended December 31, 2013, total revenue decreased 23% to €568,046 compared to an increase by 92% to €737,968 for the year ended December 31, 2012. This decrease reflects the negative evolution in membership fees (-38%) and the moderate decrease in subsidies (-5%) that were not balanced by the strong increase in sponsoring revenue (+53%).

Expenses: Total expenses for the year ended December 31, 2013, decreased by 10% to €530,685 compared to an increase by 59% to €592,601 for the year ended December 31, 2012. This decrease is explained by the return to a rather normal situation after exceptionally high expenditure during 2012 in conference expenses and the clean-up of provisions for defaulting payment carried over since 2010.

Net result: Net result was positive at 6.6% of total revenue for the year ended December 31, 2013 compared to 19.7% for the year ended December 31, 2012.

Cash and cash equivalent: Cash and cash equivalent on December 31, 2013 totaled €266,268 compared to €388,984 on December 31, 2012.

2014 OUTLOOK

OW2 is at a crossroads. The consortium is in a typical crossing-the-chasm situation and will not continue as it is today unless new support is secured from membership, subsidies and sponsoring. Although our strategy and positioning are to a large extent on the right track, our business model is not sufficiently robust. From a quantitative perspective, our objective is to secure additional strategic support—signing new strategic members, developing donations and in-kind contributions, etc. From the qualitative perspective, the aim is to complement OW2's positioning as a platform for collaborative R&D projects with a market-oriented value proposal tailored to our more business-minded members. With the help of the board of directors, we are re-thinking OW2, while maintaining our fundamental orientations we will revisit them in a structured framework of four strategies: service, partnership, organization and revenue.

OW2 CONSORTIUM BALANCE SHEET 2007-2013

(in euros)

	2013	2012	2011	2010	2009	2008	2007	%13	%12	%11	%10	%09	%08	%07
ASSETS														
<i>Current Assets</i>														
Account receivable	514,231	742,117	42,887	27,087	59,929	59,021	6,000	65.68%	65.47%	18.94%	9.24%	48.65%	36.92%	4.20%
Accrued income					362	1,172		0.00%	0.00%	0.00%	0.00%	0.29%	0.73%	
VAT collectable							103							0.07%
Cash and cash equivalent	266,268	388,984	181,577	263,518	61,988	98,663	135,384	34.01%	34.32%	80.17%	89.93%	50.32%	61.71%	94.83%
Prepaid expenses			0	1,167	550	202		0.00%	0.00%	0.00%	0.40%	0.45%	0.13%	
Total current Assets	780,499	1,131,101	224,464	291,772	122,829	159,058	141,487	99.70%	99.78%	99.10%	99.58%	99.72%	99.49%	99.11%
<i>Tangible Assets</i>														
Office Equipment (net value)	2,385	2,446	2,028	1,240	351	812	1,273	0.30%	0.22%	0.90%	0.42%	0.28%	0.51%	0.89%
Total tangible Assets	2,385	2,446	2,028	1,240	351	812	1,273	0.30%	0.22%	0.90%	0.42%	0.28%	0.51%	0.89%
Total Assets	782,884	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%	100.00%
LIABILITIES														
<i>Current Liabilities</i>														
Accounts payable	12,041	47,564	23,220	13,014	4,938	17,718	2,480	1.54%	4.20%	10.25%	4.44%	3.82%	11.08%	1.74%
Other debts and equivalents	11,544	294	20,838	102,992	294									
Taxes and Benefits (social charges)	39,060	50,446	28,619	35,709	29,266	33,148	36,514	4.99%	4.45%	12.64%	12.19%	22.66%	20.73%	25.58%
Deferred income	383,697	736,059						49.01%	64.93%					
Total current Liabilities	446,342	834,364	72,677	151,714	34,498	50,866	38,995	57.01%	73.61%	32.09%	51.78%	26.71%	31.82%	27.32%
<i>Equity</i>														
Retained earning	299,183	153,816	141,298	94,682	109,004	103,765		38.22%	13.57%	62.39%	32.31%	84.38%	64.91%	
Result for the current year	37,360	145,366	12,518	46,616	-14,322	5,239	103,765	4.77%	12.82%	5.53%	15.91%	-11.09%	3.28%	72.68%
Total Equity	336,543	299,182	153,816	141,298	94,682	109,004	103,765	42.99%	26.39%	67.91%	48.22%	73.29%	68.18%	72.68%
Total Liabilities	782,885	1,133,547	226,493	293,012	129,180	159,870	142,760	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2009-2013

(in euros)

REVENUE	2013	2012	2011	2010	2009	13/12	12/11	11/10	10/09	%13	%12	%11	%10	%09
Membership subscriptions (Call for dues)	191,700 €	308,566 €	247,600 €	257,980 €	310,600 €	-38%	25%	-4%	-17%	34%	42%	64%	72%	98%
Subsidies	332,042 €	350,176 €	114,354 €	20,533 €	€	-5%	206%	457%	-	58%	47%	30%	6%	%
Sponsoring Confs, Progr. Contest, etc.	29,520 €	19,250 €	20,000 €	6,000 €	5,000 €	53%	-4%	233%	20%	5%	3%	5%	2%	2%
Reversal of provision	12,300 €	57,400 €	€	€	€	-79%	-	-	-	2%	8%	%	%	%
Financial interest	1,994 €	2,520 €	525 €	439 €	€	-21%	380%	20%	-	%	%	%	%	%
Miscellaneous	491 €	3 €	1,612 €	14 €	14 €	16267%	-100%	11753%	-3%	%	%	%	%	%
Gain on currency exchange		53 €	17 €	€	371 €	-100%	212%	-	-100%	%	%	%	%	%
Exceptional result					73,181 €	-	-	-100%	-	%	%	%	20%	%
Total Revenue	568,046 €	737,968 €	384,108 €	358,147 €	315,985 €	-23%	92%	7%	13%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES														
Hosting	53,202 €	47,802 €	36,167 €	36,165 €	36,865 €	11%	32%	0%	-2%	9%	6%	9%	10%	12%
Book keeping and services	14,344 €	8,605 €	7,810 €	8,305 €	7,224 €	67%	10%	-6%	15%	3%	1%	2%	2%	2%
IT support and other services	247 €	22,538 €	5,317 €	17,701 €	€	-99%	324%	-70%	-	%	3%	1%	5%	%
Programming contest	3,497 €	2,784 €	2,492 €	2,561 €	3,000 €	26%	12%	-3%	-15%	1%	%	1%	1%	1%
Marcom & Collateral	32,479 €	12,255 €	4,817 €	15,386 €	1,785 €	165%	154%	-69%	762%	6%	2%	1%	4%	1%
Insurance, Dues	399 €	2,837 €	1,287 €	1,374 €	1,178 €	-86%	120%	-6%	17%	%	%	%	%	%
Trade shows, marketing	32,556 €	107,319 €	40,418 €	21,588 €	11,628 €	-70%	166%	87%	86%	6%	15%	11%	6%	4%
Travel expenses	27,135 €	27,795 €	18,897 €	8,470 €	13,815 €	-2%	47%	123%	-39%	5%	4%	5%	2%	4%
Bank charges	749 €	1,127 €	514 €	391 €	385 €	-34%	119%	31%	2%	%	%	%	%	%
Others (storage, stationary, postage, fees, equipment, etc)	6,170 €	6,411 €	6,938 €	4,104 €	2,388 €	-4%	-8%	69%	72%	1%	1%	2%	1%	1%
Taxes and equivalent	22,725 €	17,552 €	15,428 €	12,338 €	12,940 €	29%	14%	25%	-5%	4%	2%	4%	3%	4%
Total operating expenses	193,503 €	257,025 €	140,084 €	128,383 €	91,208 €	-25%	83%	9%	41%	34%	35%	36%	36%	29%
<i>Salaries and benefits</i>														
Salaries	228,860 €	195,354 €	163,884 €	129,249 €	126,781 €	17%	19%	27%	2%	40%	26%	43%	36%	40%
Social charges	93,331 €	79,594 €	66,606 €	53,023 €	51,763 €	17%	19%	26%	2%	16%	11%	17%	15%	16%
Total Salaries and Benefits	322,191 €	274,948 €	230,490 €	182,272 €	178,544 €	17%	19%	26%	2%	57%	37%	60%	51%	57%
<i>Amortization and Finance</i>														
Provision for defaulting fee payments	1,500 €	12,300 €			60,000 €	-88%	-	-	-100%	.3%	1.7%	.0%	.0%	19.0%
Other expenses	11,510 €	46,908 €	31 €	45 €	5 €	-75%	152695%	-32%	808%	2.0%	6.4%	.0%	.0%	.0%
Amortization on tangible assets	1,589 €	849 €	656 €	359 €	461 €	87%	29%	83%	-22%	.3%	.1%	.2%	.1%	.1%
Loss on currency exchange	392 €	571 €	330 €	471 €	92 €	-31%	73%	-30%	412%	.1%	.1%	.1%	.1%	.0%
Total Amortization and Finance	14,991 €	60,628 €	1,016 €	875 €	60,558 €	-75%	5866%	16%	-99%	2.6%	8.2%	.3%	2%	19.2%
Total Expenses	530,685 €	592,601 €	371,591 €	311,530 €	330,310 €	-10%	59%	19%	-6%	91.1%	72.3%	96.7%	87.0%	85.5%
RESULT	37,361 €	145,367 €	12,517 €	46,616 €	-14,325 €	-74%	1061%	-73%	-	6.6%	19.7%	3.3%	13.0%	-4.5%