

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS,
FINANCIAL SITUATION AND RESULTS FOR YEAR ENDED DECEMBER 31, 2015

Introduction

2015 got off to a far better start than 2014. The winning of three publicly-funded projects at the beginning of the year alleviated cash concerns. 2015 highlights included the announcement of our marketplace, risk analysis additions to our quality program, the enhancement of OW2's visual identity and, last but certainly not least, the recruitment of our new CTO. However, there was no real growth in membership, which is a cause of concern for the year ahead.

Membership

- With 25 paying members in 2015 and 24 in 2014, membership remained stable at a historically low level since the inception of the consortium: 39 in 2013, 37 in 2012, 35 in 2011, 36 in 2010, 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).
- During the year, we attracted the attention of several start-ups but our efforts to reach out to large organizations did not yield results and no new strategic members were recruited. The bright spot on this panorama is the surge of 50% in the number of new individual members in 2015 (Fig. 2).

Activities

- New projects. Five new projects were accepted by the Technology Council in 2015, compared to five in 2014, only one in 2013, 11 in 2012 and 2011, six in 2010, 19 in 2009, 12 in 2008 and eight in 2007 (Fig. 3). We are in the process of assessing our code base with the aim of making it more attractive to users and new projects alike.
- Collaborative projects: Throughout 2015, OW2 was involved in completing three projects (XLcloud, OpenCloudware and RISCOSS) and launching three new projects (OCCLware, AppHub and CHOReVOLUTION). While publicly-funded projects ease the cash situation, they put pressure on the Management Office's priorities.
- Initiatives. The Open Source Cloudware initiative (OSCi) was represented in cloud-oriented collaborative projects including AppHub, OpenCloudware and OCCLware and in our Open Cloud Forum by OW2 series. The Future Internet Software and Services initiative (FISSi) is now represented in the CHOReVOLUTION project. The Big Data initiative did not show significant progress. We launched PRISi, our new Privacy and Security initiative, for which we are looking at putting together a stack based on OW2 projects.

Communication

- We maintain OW2's website and those of seven collaborative projects as well as their private wikis. We are present on LinkedIn, Twitter, SlideShare and YouTube where the OW2 channel publishes videos of our project presentations and events, including all presentations given at OW2con'15. In 2015, we evolved our visual identity and completely revamped the look and feel of our web site (Fig. 4) to make it responsive on a variety of devices.
- In 2014, OW2 was involved in 24 events worldwide (compared to 17 the previous year). The main third-party events at which OW2 showcased its projects and community included: Cloud Expo Europe, Cloud Computing World Expo, Paris Open Source Summit in Europe, and the China National Computer Congress, OSCON in North America and FISL in South America. This year again, we leveraged our "Open Cloud Forum by OW2" concept as an effective vehicle for creating visibility in several conference programs of leading industry events.
- We successfully organized OW2con'15, our seventh OW2 Annual Conference, with live streaming and video capture of all presentations. While OW2con'14 was co-located with the OpenStack Summit, OW2con'15 was co-located with the Paris Open Source Summit.

Organization:

- Technical Infrastructure: In 2015, we reviewed our infrastructure migration plan and updated and migrated several services. We run a dozen services including mailing lists, websites, private wikis, continuous integration, bug reporting, etc. with an average availability time of 99.8% in 2015.
- Management Office (MO): The main news for 2015 was the recruitment of our new CTO. In 2015, just as in 2014, the team's activity was influenced significantly by the efforts that had to be dedicated to collaborative projects.
- Technology Council (TC): TC meetings were held regularly. However, the TC was slow to regain momentum in 2015 after the disruption to its activity caused by the departure of our CTO in 2014.

Conclusion and outlook

In 2015, thanks to three new collaborative projects and the recruitment of our new CTO, we succeeded in putting OW2 back on track. We finished the year with almost double the assets accounted for end-2014 – a positive result as well as an improved cash situation. In 2016, we are focused on running, fine-tuning and promoting both the quality program and the marketplace. We have an ambitious event program, including Cloud Expo Europe, OSCON, OpenStack Summit, FISL and Paris Open Source Summit. Scheduled for June 2016, we have decided to organize OW2con'16 as an independent event this year. We are completing the migration of our infrastructure and we are now recognized as the reference European open source organization. Our main challenge for the next three years is to consolidate our value proposal and align with the evolution of the open source market environment to increase our membership. We are still working on ramping up our Privacy and Security initiative while preparing the launch of a new initiative with one of our strategic members. We are confident we will recruit new projects in 2016 and we are working on several proposal for the next H2020 call. The main challenge facing us is to take our membership number up to the level required to ensure the sustainability of the organization.

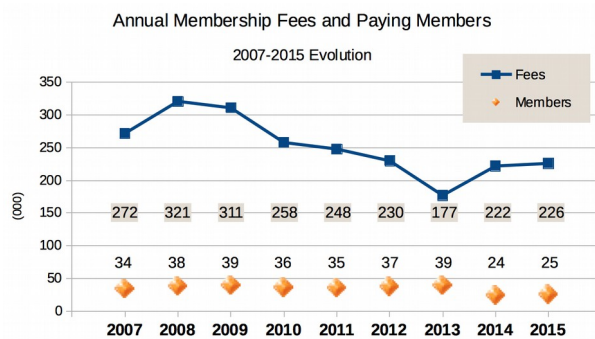


Fig 1: Corporate Membership Numbers and Revenue

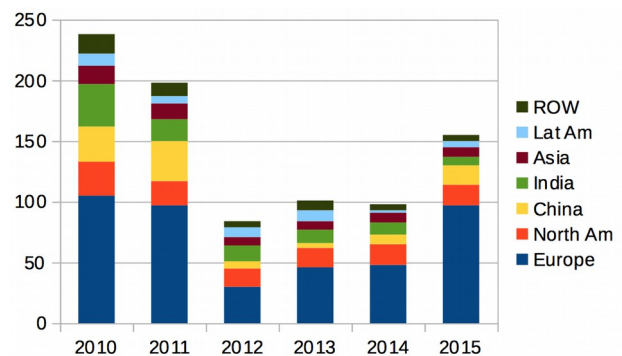


Fig 2: New Individual Members per Year and Geography

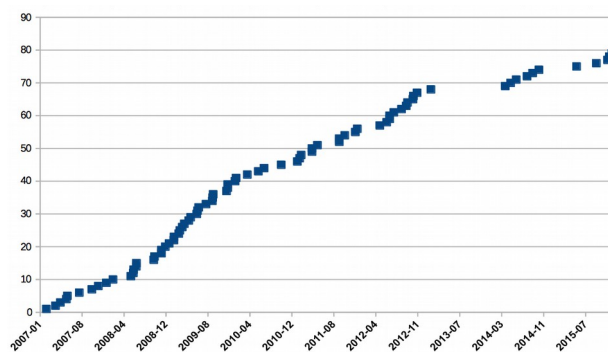


Fig 3: New Projects Accepted in the OW2 Code Base



Fig 4: New Logo and New Website

FINANCIAL REPORT

The following tables set forth, in a US GAAP-like presentation, selected financial data for OW2 for the last five years. The data should be read in conjunction with the *Comptes Annuels de l'Exercice Clos le 31/12/2015*, established in compliance with French law by our bookkeeping firm.

The decreasing revenue from membership (-3%), and the absence of sponsoring revenue this year were more than compensated by revenue from publicly-funded projects, resulting in significant growth in revenue (+94%) and balance sheet (+93%).

Revenue: For the year ended December 31, 2015, total revenue increased by 23% to €639,201 compared to a decrease of 8% to €520,227 for the year ended December 31, 2013. Membership fees decreased by 3%, while subsidies from collaborative s increased by 50%. No sponsoring revenue was accounted for.

Expenses: Total expenses for the year ended December 31, 2015, increased by 10% to €555,993 as compared to a decrease of 10% to €477,292 for the year ended December 31, 2014. This increase reflects our participation in collaborative projects and we expect further growth in 2016, due to our commitment to these projects.

Net result: Our net revenue for the year ended December 31, 2015 amounts to €83,208, an increase of 94% over 2014. We also managed to improve our net result to 13.0% of total revenue for the year ended December 31, 2015 compared to 8.3% of total revenue for the year ended December 31, 2014.

Cash and cash equivalent : Cash and cash equivalent on December 31, 2014 totaled €279,614, compared to €209,813 on December 31, 2014.

2016 OUTLOOK

In 2015, we put OW2 back on track, thanks to three new collaborative projects, and our strategic members. For 2016, from a quantitative perspective, our budget is under control, but yet again, this depends on all our members paying their fees. We are invited to take part in several proposals for new collaborative project in 2017, but the result of this exercise is highly uncertain. In terms of community management, our priorities for 2016 are to consolidate our quality program and our marketplace for the benefit of our projects and improve the way we work with the Technology Council. Our main challenge in 2016 is to recruit new members and, more particularly, large organizations.

OW2 CONSORTIUM BALANCE SHEET 2011-2015

(in euros)

	2015	2014	2013	2012	2011	%15	%14	%13	%12	%11
ASSETS										
<i>Current Assets</i>										
Account receivable	772,126	335,593	514,231	742,117	42,887	73.15%	61.38%	65.68%	65.47%	18.94%
Accrued income						0.00%	0.00%	0.00%	0.00%	0.00%
VAT collectable										
Cash and cash equivalent	279,614	209,813	266,268	388,984	181,577	26.49%	38.38%	34.01%	34.32%	80.17%
Prepaid expenses					0	0.00%	0.00%	0.00%	0.00%	0.00%
Total current Assets	1,051,740	545,406	780,499	1,131,101	224,464	99.64%	99.76%	99.70%	99.78%	99.10%
<i>Tangible Assets</i>										
Office Equipment (net value)	3,748	1,330	2,385	2,446	2,028	0.36%	0.24%	0.30%	0.22%	0.90%
Total tangible Assets	3,748	1,330	2,385	2,446	2,028	0.36%	0.24%	0.30%	0.22%	0.90%
Total Assets	1,055,488	546,736	782,884	1,133,547	226,493	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES										
<i>Current Liabilities</i>										
Accounts payable	20,175	11,083	12,041	47,564	23,220	1.91%	2.03%	1.54%	4.20%	10.25%
Other debts and equivalents		2,544	11,544	294	20,838					
Taxes and Benefits (social charges)	56,615	38,282	39,060	50,446	28,619	5.36%	7.00%	4.99%	4.45%	12.64%
Deferred income	516,022	115,330	383,697	736,059		48.89%	21.09%	49.01%	64.93%	
Total current Liabilities	592,813	167,238	446,342	834,364	72,677	56.16%	30.59%	57.01%	73.61%	32.09%
<i>Equity</i>										
Retained earning	379,467	336,563	299,183	153,816	141,298	35.95%	61.56%	38.22%	13.57%	62.39%
Result for the current year	83,208	42,935	37,360	145,366	12,518	7.88%	7.85%	4.77%	12.82%	5.53%
Total Equity	462,675	379,498	336,543	299,182	153,816	43.84%	69.41%	42.99%	26.39%	67.91%
Total Liabilities	1,055,488	546,736	782,885	1,133,547	226,493	100.00%	100.00%	100.00%	100.00%	100.00%

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2011-2015

(in euros)														
REVENUE	2015	2014	2013	2012	2011	15/14	14/13	13/12	12/11	%14	%14	%13	%12	%11
Membership subscriptions (Call for dues)	229,750 €	236,450 €	191,700 €	308,566 €	247,600 €	-3%	23%	-38%	25%	36%	45%	34%	42%	64%
Subsidies	403,419 €	268,367 €	332,042 €	350,176 €	114,354 €	50%	-19%	-5%	206%	63%	52%	58%	47%	30%
Sponsoring Confs, Progr. Contest, etc.	289 €	12,430 €	29,520 €	19,250 €	20,000 €	-98%	-58%	53%	-4%	%	2%	5%	3%	5%
Reversal of provision	€	1,500 €	12,300 €	57,400 €	€	-100%	-88%	-79%	-	%	%	2%	8%	%
Financial interest	883 €	1,473 €	1,994 €	2,520 €	525 €	-40%	-26%	-21%	380%	%	%	%	%	%
Miscellaneous	4,861 €	7 €	491 €	3 €	1,612 €	69340%	-99%	16267%	-100%	1%	%	%	%	%
Gain on currency exchange	€	€	€	53 €	17 €	-	-	-100%	212%	%	%	%	%	%
Exceptionnal result	€	€	€	€	€	-	-	-	-	%	%	%	%	%
	639,201 €	520,227 €	568,046 €	737,968 €	384,108 €	23%	-8%	-23%	92%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES														
Hosting	47,084 €	44,636 €	53,202 €	47,802 €	36,167 €	5%	-16%	11%	32%	7%	9%	9%	6%	9%
Book keeping and services	9,972 €	12,438 €	14,344 €	8,605 €	7,810 €	-20%	-13%	67%	10%	2%	2%	3%	1%	2%
IT support and other services	22,918 €	10,064 €	247 €	22,538 €	5,317 €	128%	3974%	-99%	324%	4%	2%	%	3%	1%
Programming contest and Prizes	5,450 €	4,031 €	3,497 €	2,784 €	2,492 €	35%	15%	26%	12%	1%	1%	1%	%	1%
Marcom & Collateral	9,542 €	6,453 €	32,479 €	12,255 €	4,817 €	48%	-80%	165%	154%	1%	1%	6%	2%	1%
Insurance, Dues	1,623 €	1,618 €	399 €	2,837 €	1,287 €	0%	306%	-86%	120%	%	%	%	%	%
Trade shows, marketing	68,702 €	65,366 €	32,556 €	107,319 €	40,418 €	5%	101%	-70%	166%	11%	13%	6%	15%	11%
Travel expenses	29,673 €	18,634 €	27,135 €	27,795 €	18,897 €	59%	-31%	-2%	47%	5%	4%	5%	4%	5%
Bank charges	439 €	368 €	749 €	1,127 €	514 €	19%	-51%	-34%	119%	%	%	%	%	%
Others (storage, stationary, postage, fees, equipment, etc)	4,350 €	4,026 €	6,170 €	6,411 €	6,938 €	8%	-35%	-4%	-8%	1%	1%	1%	1%	2%
Taxes and equivalent	8,376 €	8,368 €	22,725 €	17,552 €	15,428 €	0%	-63%	29%	14%	1%	2%	4%	2%	4%
Total operating expenses	208,129 €	176,002 €	193,503 €	257,025 €	140,084 €	18%	-9%	-25%	83%	33%	34%	34%	35%	36%
<i>Salaries and benefits</i>														
Salaries	238,549 €	213,024 €	228,860 €	195,354 €	163,884 €	12%	-7%	17%	19%	37%	41%	40%	26%	43%
Social charges	97,805 €	87,208 €	93,331 €	79,594 €	66,606 €	12%	-7%	17%	19%	15%	17%	16%	11%	17%
Total Salaries and Benefits	336,354 €	300,232 €	322,191 €	274,948 €	230,490 €	12%	-7%	17%	19%	53%	58%	57%	37%	60%
<i>Amortization and Finance</i>														
Provision for defaulting fee payments	€	€	1,500 €	12,300 €	€	-	-100%	-88%	-	.0%	.0%	.3%	1.7%	.0%
Other expenses	10,320 €	4 €	11,510 €	46,908 €	31 €	286568%	-100%	-75%	152695%	1.6%	.0%	2.0%	6.4%	.0%
Amortization on tangible assets	1,190 €	1,055 €	1,589 €	849 €	656 €	13%	-34%	87%	29%	.2%	.2%	.3%	.1%	.2%
Loss on currency exchange	€	€	392 €	571 €	330 €	-	-100%	-31%	73%	.0%	.0%	.1%	.1%	.1%
Total Amortization and Finance	11,510 €	1,058 €	14,991 €	60,628 €	1,016 €	988%	-93%	-75%	5866%	1.8%	.2%	2.6%	8.2%	.3%
	555,993 €	477,292 €	530,685 €	592,601 €	371,591 €	16%	-10%	-10%	59%	85.4%	91.7%	91.1%	72.3%	96.7%
RESULT	83,208 €	42,935 €	37,361 €	145,367 €	12,517 €	94%	15%	-74%	1061%	13.0%	8.3%	6.6%	19.7%	3.3%