

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS,
FINANCIAL SITUATION AND RESULTS FOR YEAR ENDED DECEMBER 31, 2017

Introduction

Looking back, 2017 was first and foremost a year to celebrate our tenth anniversary. We were honoured by the dozens of testimonials posted on the site and recognition received from six new associate open source organizations from five countries (CAAdESoL, CNLL, GFOSS, OSBA, Open Source Initiative, Sadio). However, with six new projects and five new members, our success with growing our code base and membership was only moderate despite continuous efforts to showcase our community and projects including 14 events in eight countries. On the brighter side, we are pleased with the launch and great progress of the Open Source Accessibility initiative (OSAi). Looking forward to 2018, our challenge is to make OW2 more attractive by completing what we call the OW2 Process so as to offer additional value to projects and members and leveraging our initiative mechanism and our governance system respond to the need expressed by the industry for more technology-focused community support.

Membership

- With 23 paying members in 2017 compared to 24 in 2016, membership remained stable at a historically low level since the inception of the consortium: 26 in 2015, 24 in 2014, 39 in 2013, 37 in 2012, 35 in 2011, 36 in 2010, 39 in 2009, 38 in 2008 and 34 in 2007 (Fig. 1).
- OW2's membership is essentially comprised of SMEs who are looking for short term return on investment, we must satisfy them while keeping our long-term vision intact. Relative failure to meet these expectations result in a high membership turnover. In 2017, 66 individual members joined OW2 compared to 162 in 2016 (Fig. 2).

Activities

- New projects: The technology Council accepted six new projects in the OW2 code base in 2017, a rather satisfactory performance compared to three in 2016, five in 2015 and 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).
- Collaborative projects: In 2017 we completed two collaborative projects (OCCLware and CHOReVOLUTION) and launched the two H2020 projects we won in 2016 (STAMP and CROSSMINER). As usual, while publicly-funded projects substantially improve the cash situation, they put pressure on the Management Office's priorities. In 2018 we are participating in ICT-16, a very competitive call for EU-funded collaborative projects to be launched in 2019.
- Initiatives: After its successful launch end 2016, the Open Source Accessibility initiative (OSAi) led by Orange had a satisfying development. Other initiatives, including Open Source Cloudware initiative (OSCi), Big Data initiative, Future Internet Software and Services initiative (FISSi) and the Privacy and Security initiative (PRISi) as the year before did not show significant progress.

Communication

- We maintain OW2's website and those of several 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'17.
- In 2016, OW2 was involved in 14 events in eight countries (compared to 19, 24 and 17 the previous years). In 2017, the main third-party events at which OW2 showcased its projects and community included: Cloud Expo Europe in London, Cloud Computing World Expo and Paris Open Source Summit in Paris, CeBIT and EclipseCon in Germany, OpenStack Summit in Boston, OSCON in Austin.
- We celebrated our tenth anniversary with various initiatives during the first semester. This culminated in a successful party organised during OW2con'17 in June..

Organization:

- Technical Infrastructure: We run a dozen services including mailing lists, websites, private wikis, continuous integration, bug reporting, etc. with an average availability time superior to 99%, in 2017. We have decommissioned all our physical servers and all our services are now running on virtualized infrastructure. In 2017 we implemented GitLab (including bug tracking and continuous integration and all our projects are being migrated. With FusionDirectory we also implemented a state-of-the-art user management system and upgraded our web platform to the latest version of XWiki.
- Management Office (MO): The team's activity was this year again significantly influenced by efforts dedicated the four collaborative projects we had concurrently on-going throughout 2017. We recruited a new Software Engineer to take care of the use cases OW2 is developing in the framework of the two collaborative projects launched in 2017.
- Technology Council (TC): The TC was asked to provide guidance as to the evolution of the technical infrastructure. Key discussions are still on-going regarding the infrastructure required to properly manage the release of OW2 projects and the quality tools to provide our project leaders. The TC is also requested to provide guidance to implement the OW2 market maturity model on the basis of the OW2's current project scorecard (Fig. 4).

Conclusion and outlook

In 2017 we pursued our efforts to develop the strategic cycle we announced at OW2con'16: we call it "The OW2 Process", it's a way to combine technology, governance, quality and the marketplace to create value for our projects and make OW2 a more attractive open source organization. We will continue to support this effort thanks to publicly-funded collaborative projects, the technologies and the resource they provide. In 2018, our challenge is to attract new large members, to deliver more tangible results in order to meet the expectations of our SME members for more tangible short-term return on investment so as to reduce membership turnover. Looking into 2019, OW2's stability depend on our success rate in winning new EU-funded collaborative projects.



Fig 1: Corporate Membership Numbers and Revenue

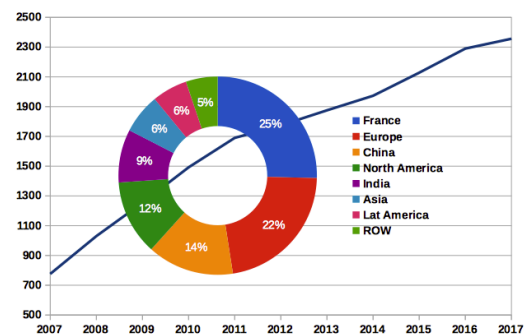


Fig 2: New Individual Members per Year and Geography

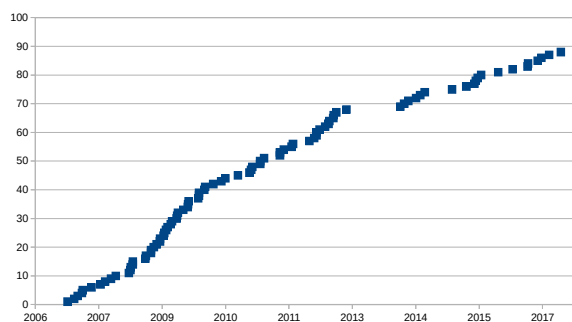


Fig 3: New Projects Accepted in the OW2 Code Base

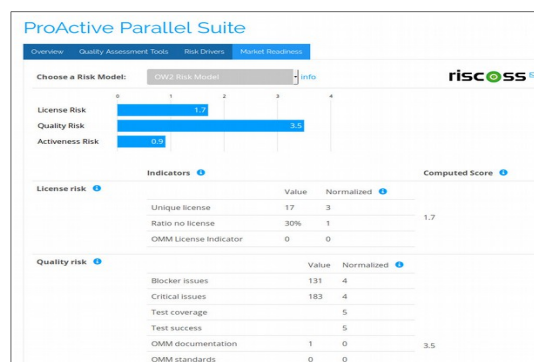


Fig 4: OSCAR Market Readiness Scorecard

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 31/12/2017*, established in compliance with French law by our bookkeeping firm.

The decline in membership fees (-18%) combined with a sharp decline in collaborative projects recognized revenue (-30%) contributed to an operating negative results (-10.6% of revenue). Cash transfer from collaborative projects, including cash advances and balance of completed projects help maintain our cash situation at a workable level.

Revenue: For the year ended December 31, 2017, total revenue shows a sharp decrease of 24% to €482,574 compared to a moderate decrease of -1% to €630,820 for the year ended December 31, 2016. Membership fees decreased by 18%, while subsidies from collaborative projects dropped by 30%. Sponsoring revenue remained limited.

Expenses: Total expenses for the year ended December 31, 2017, increased modestly by 4% to €596,358 compared to an increase of 3% to €571,229 for the year ended December 31, 2016. Salaries and benefits representing 89% of total revenue (compared to 62% in 2016) grew 10% (compared to +17% in 2016) while Operating expenses, representing 34% of total revenue (28% in 2016) decreased by 7%.

Net result: Our net result for the year ended December 31, 2017 is negative at €-113,784 compared to a positive result of €59,591 in 2016. Net loss represent 23.4% of total revenue for the year ended December 31, 2017 compared to a positive result representing 9.4% of total revenue for the year ended December 31, 2016.

Cash and cash equivalent : Cash and cash equivalent on December 31, 2017 were at €701.770 compared to a record high of €813,058 on December 31, 2016.

2018 OUTLOOK

In 2018, we are using our positive cash position to finance operations, however a significant effort is required to align the structure and cost of operations with the structure of our revenues. For example we will drastically reduce our external expenses by 20%. Financially, the reduced number of strategic members remains a concern going forward, it makes us increasingly dependent on collaborative projects and the ups and downs of they cycles. We must try harder to reverse that trend by prioritizing our members recruitment efforts toward strategic membership and large organizations.

OW2 CONSORTIUM BALANCE SHEET 2012-2017

(in euros)										
	2017	2016	2015	2014	2013	%17	%16	%15	%14	%13
ASSETS										
Current Assets										
Account receivable	373,264 €	633,242 €	772,126 €	335,593 €	514,231 €	34.64%	43.67%	73.15%	61.38%	65.68%
Accrued income	€	€	€	€	€					
VAT collectable	€	€	€	€	€					
Cash and cash equivalent	701,770 €	813,058 €	279,614 €	209,813 €	266,268 €	65.13%	56.07%	26.49%	38.38%	34.01%
Prepaid expenses	€	1,464 €	€	€	€	0.00%	0.10%	0.00%	0.00%	0.00%
Total current Assets	1,075,034 €	1,447,764 €	1,051,740 €	545,406 €	780,499 €	99.78%	99.83%	99.64%	99.76%	99.70%
Tangible Assets										
Office Equipment (net value)	2,419 €	2,419 €	3,748 €	1,330 €	2,385 €	0.22%	0.17%	0.36%	0.24%	0.30%
Total tangible Assets	2,419 €	2,419 €	3,748 €	1,330 €	2,385 €	0.22%	0.17%	0.36%	0.24%	0.30%
Total Assets	1,077,453 €	1,450,184 €	1,055,488 €	546,736 €	782,884 €	100.00%	100.00%	100.00%	100.00%	100.00%
	2017	2016	2015	2014	2013	%17	%16	%15	%14	%13
LIABILITIES										
Current Liabilities										
Accounts payable	6,789 €	17,849 €	20,175 €	11,083 €	12,041 €	0.63%	1.23%	1.91%	2.03%	1.54%
Other debts and equivalents	€	183,867 €	€	2,544 €	11,544 €					
Taxes and Benefits (social charges)	85,191 €	70,682 €	56,827 €	38,282 €	39,060 €	7.91%	4.87%	5.38%	7.00%	4.99%
Deferred income	577,186 €	655,732 €	516,022 €	115,330 €	383,697 €	53.57%	45.22%	48.89%	21.10%	49.01%
Total current Liabilities	669,166 €	928,129 €	593,025 €	167,238 €	446,342 €	62.11%	64.00%	56.18%	30.59%	57.01%
Equity										
Retained earning	522,054 €	462,463 €	379,467 €	336,563 €	299,183 €	48.45%	31.89%	35.95%	61.56%	38.22%
Result for the current year	-113,784 €	59,591 €	82,996 €	42,904 €	37,360 €	-10.56%	4.11%	7.86%	7.85%	4.77%
Total Equity	408,270 €	522,054 €	462,463 €	379,467 €	336,543 €	37.89%	36.00%	43.82%	69.41%	42.99%
Total Liabilities	1,077,436 €	1,450,184 €	1,055,488 €	546,705 €	782,885 €	100.00%	100.00%	100.00%	100.00%	100.00%

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2012-2017

(in euros)															
REVENUE	2017	2016	2015	2014	2013	17/16	16/15	15/14	14/13	13/12	%17	%16	%15	%14	%13
Membership subscriptions (Call for dues)	136,050 €	166,450 €	229,750 €	236,450 €	191,700 €	-18%	-28%	-3%	23%	-38%	28%	26%	36%	45%	34%
Subsidies	316,820 €	451,243 €	403,419 €	268,367 €	332,042 €	-30%	12%	50%	-19%	-5%	66%	72%	63%	52%	58%
Sponsoring Confs, Progr. Contest, etc.	24,904 €	4,081 €	289 €	12,430 €	29,520 €	510%	1313%	-98%	-58%	53%	5%	1%	%	2%	5%
Reversal of provision	2,402 €	781 €	€	1,500 €	12,300 €	207%	-	-100%	-88%	-79%	%	%	%	%	2%
Financial interest	2,369 €	8,029 €	883 €	1,473 €	1,994 €	-70%	810%	-40%	-26%	-21%	%	1%	%	%	%
Miscellaneous	30 €	236 €	4,861 €	7 €	491 €	-87%	-95%	69340%	-99%	16267%	%	%	1%	%	%
Gain on currency exchange	€	€	€	€	€	-	-	-	-	-100%	%	%	%	%	%
Exceptional result	€	€	€	€	€	-	-	-	-	-	%	%	%	%	%
	482,574 €	630,820 €	639,201 €	520,227 €	568,046 €	-24%	-1%	23%	-8%	-23%	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENSES	2017	2016	2015	2014	2013	17/16	16/15	15/14	14/13	13/12	%17	%16	%15	%14	%13
<i>Book keeping and services</i>															
Hosting	30,766 €	41,498 €	47,084 €	44,636 €	53,202 €	-26%	-12%	5%	-16%	11%	6%	7%	7%	9%	9%
Book keeping and services	11,022 €	13,898 €	9,972 €	12,438 €	14,344 €	-21%	39%	-20%	-13%	67%	2%	2%	2%	2%	3%
IT support and other services	2,159 €	11,365 €	22,918 €	10,064 €	247 €	-81%	-50%	128%	3974%	-99%	%	2%	4%	2%	%
Programming contest and Prizes	548 €	5,602 €	5,450 €	4,031 €	3,497 €	-90%	3%	35%	15%	26%	%	1%	1%	1%	1%
Marcom & Collateral	6,138 €	6,512 €	8,857 €	6,453 €	32,479 €	-6%	-26%	37%	-80%	165%	1%	1%	1%	1%	6%
Insurance, Dues	2,904 €	2,412 €	1,623 €	1,618 €	399 €	20%	49%	0%	306%	-86%	1%	%	%	%	%
Trade shows, marketing	63,664 €	48,659 €	68,702 €	65,366 €	32,556 €	31%	-29%	5%	101%	-70%	13%	8%	11%	13%	6%
Travel expenses	25,719 €	29,397 €	29,673 €	18,634 €	27,135 €	-13%	-1%	59%	-31%	-2%	5%	5%	5%	4%	5%
Bank charges	236 €	828 €	439 €	368 €	749 €	-72%	89%	19%	-51%	-34%	%	%	%	%	%
Others (storage, stationary, postage, fees, equipment, etc)	5,674 €	4,301 €	5,035 €	4,026 €	6,170 €	32%	-15%	25%	-35%	-4%	1%	1%	1%	1%	1%
Taxes and equivalent	14,478 €	11,925 €	7,710 €	8,368 €	22,725 €	21%	55%	-8%	-63%	29%	3%	2%	1%	2%	4%
Total operating expenses	163,307 €	176,396 €	207,463 €	176,002 €	193,503 €	-7%	-15%	18%	-9%	-25%	34%	28%	32%	34%	34%
<i>Salaries and benefits</i>															
Salaries	305,888 €	278,701 €	238,549 €	213,024 €	228,860 €	10%	17%	12%	-7%	17%	63%	44%	37%	41%	40%
Social charges	125,909 €	114,745 €	97,805 €	87,208 €	93,331 €	10%	17%	12%	-7%	17%	26%	18%	15%	17%	16%
Total Salaries and Benefits	431,796 €	393,446 €	336,354 €	300,232 €	322,191 €	10%	17%	12%	-7%	17%	89%	62%	53%	58%	57%
<i>Amortization and Finance</i>															
Provision for defaulting fee payments	€	€	€	€	1,500 €	-	-	-	-100%	-88%	0%	0%	0%	0%	3%
Other expenses	52 €	58 €	10,320 €	4 €	11,510 €	-10%	-99%	286568%	-100%	-75%	0%	0%	1.6%	0%	2.0%
Amortization on tangible assets	1,202 €	1,328 €	1,190 €	1,055 €	1,589 €	-9%	12%	13%	-34%	87%	2%	2%	2%	2%	3%
Loss on currency exchange	€	€	€	€	392 €	-	-	-	-100%	-31%	0%	0%	0%	0%	1%
Total Amortization and Finance	1,255 €	1,386 €	11,510 €	1,058 €	14,991 €	-9%	-88%	988%	-93%	-75%	3%	2%	1.8%	2%	2.6%
	596,358 €	571,229 €	555,327 €	477,292 €	530,685 €	4%	3%	16%	-10%	-10%	123.6%	90.5%	85.3%	91.7%	91.1%
RESULT	-113,784 €	59,591 €	83,874 €	42,935 €	37,361 €	-291%	-29%	95%	15%	-74%	-23.6%	9.4%	13.1%	8.3%	6.6%