

OW2 CONSORTIUM

MANAGEMENT DISCUSSION, AND ANALYSIS OF OPERATIONS, AND OF FINANCIAL SITUATION AND RESULTS, FOR THE YEAR ENDED DECEMBER 31, 2009

In 2009, OW2 was in its third year of operation. While the first year was dedicated mainly to managing the transition from ObjectWeb and implementing our operating procedures, in 2008, we continued building our organization and started developing our activities. 2009, in an extremely difficult economic context, was a year of contrasts with both continuing expansion and some consolidation.

Noteworthy events in 2009 and perspectives for 2010 are as follows:

Membership

- Our membership grew steadily to 74 registered members (Fig. 1) compared to 65 in 2008 and 54 in 2007. However we estimate that only 50% of the members are active. In 2010, we expect to be able to grow our membership in all geographies (Fig. 2). In 2009, we negotiated a merge with the Open Solutions Alliance in North America following which their members would join OW2 in 2010.
- Membership growth is driven by corporate members and more specifically innovative SMEs strategically committed to open source. In 2010 we must concentrate on recruiting more academic members.
- Our historical Strategic Members are renewing their support to OW2 in 2010 thus providing for our operational budget for the next three years. However, seven strategic members decided not to renew their status; their reasons include internal change of strategy for three members, merger and organization change for two and lack of return on investment for two.

Activities

- The pace at which new projects are being submitted and accepted by the consortium accelerated: from 8 in 2007, 12 in 2008 to 18 in 2009 (Fig. 3). This reflects the increasing popularity of the consortium. We expect the trend to continue in 2010.
- The number of downloads of community projects maintained the growth trajectory recovered in 2008 after a decrease in 2007 due to the transition from Objectweb: -20% in 2007, +63% in 2008 and +39% in 2009 (Fig. 4). ("Community projects": i.e., excluding top-two projects which merely use OW2 as their download platform – we call them "Grey Riders".) We expect the same trend in 2010.
- Only the BI Initiative, launched in 2008, managed to produce tangible deliveries; the other initiatives in preparation did not materialize. In 2010, with the support of our strategic members we will launch an initiative dedicated to open source cloud computing.
- We ended 2009 as a truly global community with Local Chapters in China, Europe and Brazil and ready to launch a Local Chapter in North America in 2010.
- The Europe Local Chapter (ELC) launched promising activities: opening of a webinar program, organization of a roadshow in Germany and the fOSSa conference in Grenoble. In 2010 it will focus on membership development, cloud computing and annual conference.
- The China Local Chapter was instrumental in the success of our first programming contest. In 2010, the priorities are on renewing the contest, with the addition of a business meeting in Beijing dedicated to networking between open source stakeholders in China, and developing membership.

Communication

- In 2009, we organized our first OW2 Annual Conference with two world-renowned keynote speakers. 1200 attendees registered; fortunately they didn't all show up, we wouldn't have had enough for all at the free beer party! In 2010, we do not have the same budget and we are considering our best options to organize this conference in Q4.
- OW2 is now recognized as one of the top four global open source organizations next to the Apache, Eclipse and Linux Foundations. OW2 participated in 20 events worldwide including: JavaOne and OSCON in North America, Solutions Linux, LinuxTag, Devvix and Open World Forum in Europe, and FISSL and CONSEGI in Brazil. In 2010, budget permitting, we will participate once again in most of these events.
- Our newsletter is sent regularly each month to some 1600 subscribers. In 2010, we should be able to increase this number and complement it with a blog. We thrive to be a transparent organization and our web site at www.ow2.org has become our main communication platform with all relevant information, OW2 news, press releases and events being recorded in dedicated pages.

- Despite some progress during 2009, marketing support from our members is still too modest to provide the Consortium and its community the critical mass required to achieve appropriate press coverage and global visibility. In 2010, we will develop initiatives in order to better engage our community: our members must be proud to be OW2.

Organization:

- We managed to provide continuous 24/7 service on our forge with less than 4 hours stoppage over the whole year. A pretty good record. The migration towards a new Forge system planned for 2009 had to be rescheduled to 2010.
- In 2010 we will modernize our technical infrastructure significantly: new machines installation (end of Q1), migration to the new forge (Q2-Q3) and upgrade to a new wiki platform for our web site (Q2).
- The Technology Council has found its own momentum in handling incoming project submissions but strategic discussions have not developed as expected. Despite some success, our efforts to build a consistent code base unified by a single component model have yet to bear their fruits. In 2010, we will ask the TC to develop the OW2 vision for cloud computing.
- The Operations and Ecosystems Councils did not operate in 2009. In 2010, we are expecting to reopen the Ecosystems Council as MarCom Council with appropriate expertise provided by former OSA members. No plans yet unfortunately for the Operations Council.

2009 was a year of great challenges. Last year we said: "in the current economic crisis, members will closely be evaluating their returns on investment." After fierce discussions at board meetings, we have changed our fee structure. Of course some companies might decide not to renew their membership. However, most of our Strategic Members having renewed their support, we are now able to look forward to the next three years of development of our consortium.

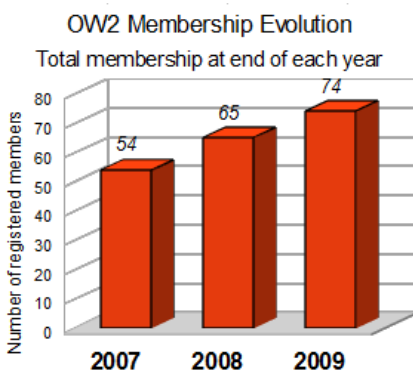


Fig. 1: Total membership Growth

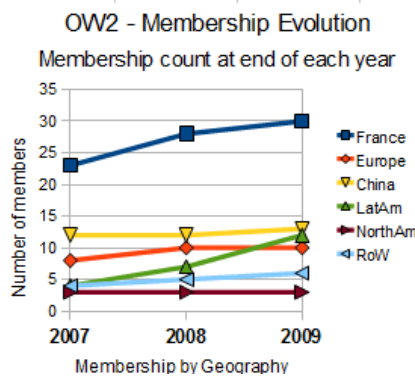


Fig. 2: Membership by Region

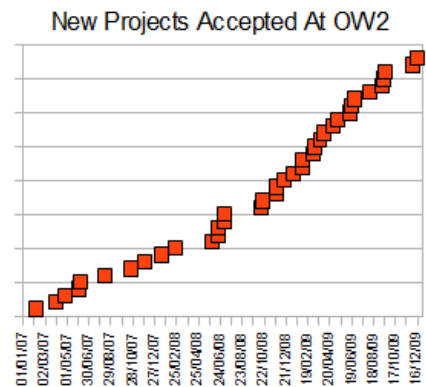


Fig. 3: New OW2 Projects

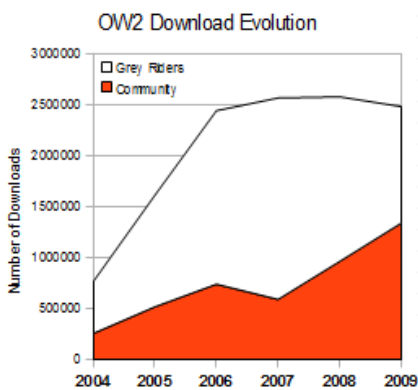


Fig. 4: Downloads Evolution

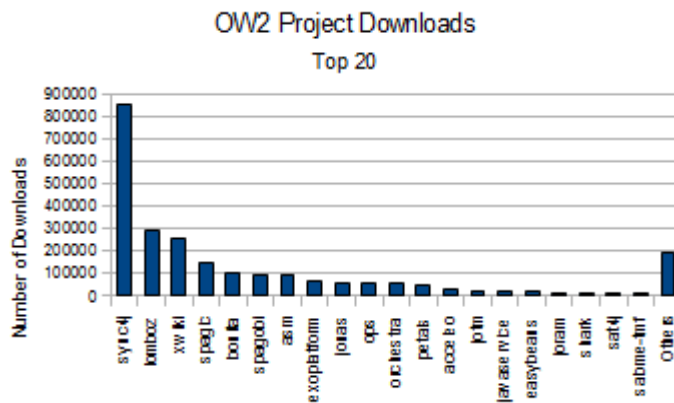


Fig. 5: Projects Downloads in 2009

FINANCIAL REPORT

The following tables set forth selected financial data for 2007, 2008 and 2009. The data should be read in conjunction with the "Comptes Annuels de l'Exercice Clos le 31/12/2009" established by FGA, our registered chartered accountant in Paris.

Revenue: For the year ended December 31, 2009, total revenue decreased 10% to €309,985 from €345,199 and €272,401 for the years ended December 31, 2008 and 2007 respectively. This decrease resulted primarily from the non-renewal of several membership subscriptions.

Expenses: Operating expenses decreased by 3% to €330,308 for the year ended December 31, 2009 from €339,458 and €168,526 for the years ended December 31, 2007 and 2008 respectively. We would have been able to reduce our operating expenses by 45% had it not been for a necessary provision of €60,000 for defaulting payment by Strategic Members.

Net result: Net result was -6,6% of total revenue for the year ended December 31, 2008 compared to 1,5% and 38.1% for the years ended December 31, 2008 and 2007 respectively. The negative result is a consequence of a provision for defaulting payment by Strategic Members. The result would have been positive to 12,8% had it not been for this provision.

Cash and cash equivalent: Cash and cash equivalent on December 31, 2009 totaled €61,988 from €98,663 and €135,384 on December 31, 2008 and 2007 respectively. Although the cash balance decreased significantly, it still allows us to cover operating expenses in the beginning of 2010.

OW2 CONSORTIUM STATEMENT OF OPERATIONS 2007-2009

(in euros)

REVENUES	2009	2008	2007	09/08	08/07	% 09	% 08	% 07
Membership subscriptions	329 800 €	339 300 €	282 700 €	-3%	20%	106%	98%	104%
<i>Of which Payable</i>	65 200 €	€	€	-	-	21%	%	%
Unpaid subscriptions (abandon)	-25 200 €	-18 500 €	-10 300 €	-	-	-8%	-5%	-4%
Show Devoxx in Belgium	€	23 021 €	€	-100%	-	%	7%	%
Sponsoring Confs, Progr. Contest, etc.	5 000 €	€	€	-	-	2%	%	%
Financial interest	€	1 172 €	€	-100%	-	%	%	%
Miscellaneous	14 €	205 €	1 €	-93%	15395%	%	%	%
Gain on currency exchange	371 €	2 €	€	17339%	-	%	%	%
	€	€	€	-	-	%	%	%
	€	€	€	-	-	%	%	%
TOTAL REVENUE	309 985 €	345 199 €	272 401 €	-10%	27%	121,0%	100,0%	100,0%
EXPENSES	2 009 €	2 008 €	2 007 €	0%	0%	In % of total revenue:		
<i>Expenses</i>								
Hosting	36 865 €	59 921 €	32 878 €	-38%	82%	12%	17%	12%
Bookkeeping and services	7 224 €	8 071 €	5 199 €	-11%	55%	2%	2%	2%
NovaForge Sysadmin (Q1-08)	€	14 950 €	€	-100%	-	%	4%	%
Programming contest	3 000 €	€	€	-	-	1%	%	%
Marcom & Collateral	1 950 €	4 769 €	3 099 €	-59%	54%	1%	1%	1%
Insurance	1 058 €	€	€	-	-	%	%	%
Trademark, publication, filing	€	5 912 €	2 017 €	-100%	193%	%	2%	1%
Trade shows, Quarterly Meetings	11 628 €	44 706 €	1 399 €	-74%	3096%	4%	13%	1%
Travel expenses	13 815 €	13 954 €	6 541 €	-1%	113%	4%	4%	2%
Bank charges	385 €	445 €	418 €	-14%	7%	%	%	%
	€	€	€	-	-	%	%	%
Provision for defaulting fee payments	60 000 €	€	€	-	-	19%	%	%
	€	€	€	-	-	%	%	%
Others (storage, stationary, postage, fees, address, etc)	2 346 €	1 701 €	2 787 €	38%	-39%	1%	%	1%
Taxes	12 940 €	12 298 €	€	5%	-	4%	4%	%
Total operating expenses	151 211 €	166 727 €	54 338 €	-9%	207%	49%	48%	20%
<i>Salaries and benefits</i>								
Salaries	126 781 €	122 810 €	80 550 €	3%	52%	41%	36%	30%
Social charges	51 763 €	49 921 €	33 639 €	4%	48%	17%	14%	12%
Total Salaries and Benefits	178 544 €	172 731 €	114 189 €	3%	51%	58%	50%	42%
<i>Amortization and Finance</i>								
Amortization on tangible assets	461 €	461 €	110 €	0%	319%	,1%	,1%	,0%
Loss on currency exchange	92 €	40 €	€	130%	-	,0%	,0%	,0%
Total Amortization and Finance	553 €	501 €	110 €	10%	355%	,2%	,1%	,0%
TOTAL EXPENSES	330 308 €	339 960 €	168 637 €	-3%	102%	106,6%	98,5%	61,9%
RESULT FOR THE CURRENT YEAR	-20 322 €	5 239 €	103 765 €	-488%	-95%	-6,6%	1,5%	38,1%

OW2 CONSORTIUM BALANCE SHEET 2007-2008

(in euros)

	2009	2008	2007	09/08	08/07	% 09	% 08	% 07
ASSETS								
<i>Current Assets</i>								
Account receivable (Members)	59 929	59 021	6 000	1,54%	883,68%	48,65%	36,92%	4,20%
Accrued income	362	1 172		-69,11%		0,29%	0,73%	
VAT collectable			103		-100,00%			0,07%
Cash and cash equivalent	61 988	98 663	135 384	-37,17%	-27,12%	50,32%	61,71%	94,83%
Prepaid expenses	550	202		171,81%		0,45%	0,13%	
Total current Assets	122 829	159 058	141 487	-22,78%	12,42%	99,72%	99,49%	99,11%
<i>Tangible Assets</i>								
Computer (net value)	351	812	1 273	-56,78%	-36,21%	0,28%	0,51%	0,89%
Total tangible Assets	351	812	1 273	-56,78%	-36,21%	0,28%	0,51%	0,89%
Total Assets	123 180	159 870	142 760	-22,95%	11,99%	100,00%	100,00%	100,00%
		2 008	2 007	Change	Change	% 09	% 08	% 07
LIABILITIES								
<i>Current Liabilities</i>								
Accounts payable (Suppliers)	5 232	17 718	2 480	-70,47%	614,30%	4,25%	11,08%	1,74%
Taxes and Benefits (social charges)	29 266	33 148	36 514	-11,71%	-9,22%	23,76%	20,73%	25,58%
Total current Liabilities	34 498	50 866	38 995	-32,18%	30,44%	28,01%	31,82%	27,32%
<i>Equity</i>								
Retained earning	109 004	103 765		5,05%		88,49%	64,91%	
Result for the current year	-20 322	5 239	103 765	-487,88%	-94,95%	-16,50%	3,28%	72,68%
Total Equity	88 682	109 004	103 765	-18,64%	5,05%	71,99%	68,18%	72,68%
Total Liabilities	123 180	159 870	142 760	-22,95%	11,99%	100,00%	100,00%	100,00%