2023

Interim Financial Report

Contents

2023 Interim financial report

01

Half-year management report

Key events in the first half of 2023

The key events in the first half of 2023 were as follows:

- First-half revenue growth up 11.0% organically and 6.6% overall
- Second quarter revenue up 11.7% organically and 5.9% overall
- Annual Recurrent Revenue (ARR) of €203.1 million, up 11.2% on end-June 2022
- First-half profit on operating activities of 12.2% on track for full-year target
- Improved free cash flow totalling €16.5 million compared to €8.2 million in the first half of 2022

Axway Software: Continued Strong Revenue Performance in the first half of 2023

Patrick Donovan, Chief Executive Officer, declared:

“I’m delighted that Axway has maintained strong organic growth over the last 3 quarters. Our activities, particularly in Europe, are benefiting from the solid, long-term relationships we have built up with our customers, as well as from the relevance of our core offerings, which have met with considerable commercial success over the semester. As I mentioned in Q1, Axway's teams continue to exceed expectations, not only in terms of bookings and sales, but also in a number of key initiatives. Our efforts to adopt a completely customer-centric model, including the changes we have made to our organization over the past 2 years, are producing good results and clearly improving our clients’ experience. In the field, this is reflected in our continuously improving Net Promoter Score, but above all in smoother interactions and stronger partnerships with the companies we accompany daily. While the macroeconomic situation remains uncertain, we see that the need for and commitment to our offerings are stronger than ever. In the first half of 2023, we benefited from a favorable comparison basis to get the year off to a good start, and we're on track, but given the record performance set in Q4 2022, we know the bar is much higher towards the end of the year. At this stage, we are not changing our annual guidance as we still have a lot of work to do, but considering our first-half results, we are well on the way to reach the upper end of our forecasts in terms of both revenue growth and profitability.”

Comments on business activity in the first half of 2023

Axway (Euronext: AXW.PA) recorded a great performance in Q2 2023 contributing to strong overall first-half revenue growth. Following the record performance over the previous 2 quarters, Axway once again set a high mark in terms of revenue in Q2 2023. Over the quarter, as in the first 3 months of the year, the reinvestments made by several major customers in their long-term partnerships with Axway confirmed the full adoption of the subscription-based business model.

Beyond the contractual aspects, the strategy of rationalizing the product portfolio to maximize customer engagement and satisfaction has proved to be effective. To be as close as possible to its customers, Axway concentrates on its core products and targets state-of-the-art technologies and offerings. This ongoing effort, at all levels of the organization, has already resulted in an acceleration in bookings, a lengthening of collaborations and a rise in the Net Promoter Score, attesting to customers' reinforced confidence. In fact, over H1 2023, bookings were up 130% on the previous year.

In terms of recent M&A operations, the integration of AdValvas, a European expert in e-invoicing processes acquired by Axway in Q2 2023, is nearing completion. The capabilities acquired in the fields of e-invoicing and compliance significantly strengthen several of Axway's core offerings, as evidenced by the growing pipeline. The DXchange cloud integration platform, acquired in mid-2022, has pursued its roadmap evolution and will continue to be integrated into the overall portfolio. The new Amplify Integration Platform offering, based on DXchange technology, has already convinced several early adopters, and will be officially launched on the market in the second half of 2023.

Finally, during Q2 2023, Axway brought its customers and partners together with members of its teams at 3 major regional events in Brussels, Scottsdale and Sao Paulo to present the latest developments in its markets and technologies to the world's most advanced companies and experts in the field. These 3 in-person events were a great success and have since contributed to the creation of several new opportunities.

Comments on operational performance in the first half of 2023

In the first half of 2023, Axway generated revenue of €145.5 million, up 11.0% organically and 6.6% in total. The scope effect for the semester was negative by €5.8 million following the different product portfolio rationalization operations finalized in H2 2022 and the acquisition of AdValvas finalized at the beginning of Q2 2023. Currency fluctuations had a positive impact on revenue of €0.4 million. Profit on operating activities amounted to €17.8 million for the period, or 12.2% of revenue, up sharply compared with the first half of 2022 (€6.7 million or 4.9% of revenue).

Axway Software: revenue by business line

(in millions of euros)	H1 2023	H1 2022	2022 restated(1)	Total Growth	Organic Growth
License	3.0	6.3	5.5	-52.5%	-44.9%
Subscription	78.7	55.9	52.3	40.8%	50.5%
Maintenance	44.6	56.0	55.1	-20.4%	-19.1%
Services	19.2	18.2	18.2	5.3%	5.7%
Axway	**145.5**	**136.4**	**131.0**	**6.6%**	**11.0%**

(1) At comparable scope and exchange rates.

Primarily limited to one of Axway's specialized products, **License** activity revenue was €3.0 million for the half-year, down organically by 44.9% on H1 2022 and now only representing less than 2% of Axway's total revenue.

The **Subscription** activity delivered, as expected, a very good performance in the first half of 2023, and is on track for strong full-year growth for the fourth year in a row. With revenue of €78.7 million, up organically by 50.5% over the first 6 months of the year, the activity continues to drive the company's growth, and represented 54% of its total revenue. Axway Managed contracts pursued their sustained and steady growth, with a revenue increase close to 11% compared to H1 2022, while Customer Managed contracts once again reached record levels, with sales growth over 75% generating the recognition of €34.2 million in upfront revenue over the period. During the half-year, the annual value of new subscription contracts signed (ACV) reached €18.7 million, an increase of 13.2%.

Maintenance revenue amounted to €44.6 million in the first half of 2023 (31% of total revenue), down 19.1% organically, in line with forecasts. Customers are continuing to migrate to the new subscription offers, which they now systematically favor.

At the end of June 2023, Axway's ARR (Annual Recurrent Revenue) which combines recurring revenues from all active Maintenance and Subscription contracts, including, where applicable, upfront subscription revenue recalculated monthly, was €203.1 million, up 11.2% at constant scope and exchange rates. In addition, revenue from renewable contracts reached a high of 85% of total revenue in H1 2023.

Services generated revenue of €19.2 million in H1 2023, up organically by 5.7%, staying in a strategic range of 10 to 13% of Axway's total revenue. The activity continued on the good trend established in 2022 with strong traction in EMEA and North America thanks to recurrent business with several key customers.

Axway Software: revenue by geographic area

(in millions of euros)	H1 2023	H1 2022	2022 restated[1]	Total Growth	Organic Growth
France	45.5	37.7	37.2	20.5%	22.1%
Rest of Europe	35.6	27.2	26.6	31.0%	34.2%
Americas	57.2	60.8	56.7	-5.9%	0.9%
Asia/Pacific	7.1	10.7	10.5	-33.6%	-32.6%
Axway	**145.5**	**136.4**	**131.0**	**6.6%**	**11.0%**

(1) At comparable scope and exchange rates.

France had a particularly dynamic first half, with sales of €45.5 million over the period. The 22.1% organic growth in revenue was due in particular to the continued conversion of the License and Maintenance customer base to Subscription, allowing greater consumption and maximizing long-term commitment. This resulted in the signature of several Axway Managed contracts, primarily with the Amplify Marketplace offering.

With revenue of €35.6 million, the **Rest of Europe** zone enjoyed strong growth over the half-year (+34.2% organically), mainly thanks to Customer Managed subscription offers. Several clients in the region increased their use of Axway's MFT and B2B offerings and the company was able to conclude a major deal through a multi-year MFT contract with one of its long-standing German B2B customers.

The **Americas** (USA & Latin America) generated revenue of €57.2 million over H1 2023, with organic growth of 0.9%. Demand for Axway Managed subscription contracts from new and existing customers was strong in the US, explaining the modest growth over the period as generated revenue is recognized evenly over the duration of the contract.

The trend towards Axway Managed subscription offers was even more marked in **Asia/Pacific**, where more than 50% of first-half bookings were made on this type of contract. Half-year revenue thus totalled €7.1 million, representing an organic decrease of 32.6% compared with the first half of 2022, which represented a high basis of comparison with more than €3.0 million of upfront revenue recognized at that time.

Comments on net profit for the first half of 2023

Profit from recurring operations was €14.7 million in H1 2023, or 10.1% of revenue, up significantly compared to 1.8% (€2.5 million) in H1 2022. It includes amortization of allocated intangible assets of €1.7 million and a share-based payment expense of €1.4 million.

Operating profit for the half-year was €11.2 million, or 7.7% of revenue, also up strongly from the €1.1 million, or 0.8% of revenue in H1 2022.

Net profit for the period was €3.7 million, representing 2.5% of revenue compared to 1.8% in H1 2022.

Basic earnings per share were €0.17 for the period, up from €0.11 in H1 2022.

	H1 2023		H1 2022	
	(in millions of euros)	*(% revenue)*	*(in millions of euros)*	*(% revenue)*
Revenue	**145.5**	**100.0%**	**136.4**	**100.0%**
Cost of sales				
Licence and Maintenance	-10.8	7.4%	-13.4	9.8%
Subscription	-14.2	9.8%	-14.5	10.7%
Services	-17.9	12.3%	-17.9	13.1%
Total Cost of sales	**-42.9**	**29.5%**	**-45.8**	**33.6%**
Gross profit	**102.6**	**70.5%**	**90.6**	**66.4%**
Operating expenses				
Sales and marketing	-42.1	28.9%	-42.8	31.4%
Research & Development	-29.4	20.2%	-28.2	20.7%
General and administrative	-13.3	9.1%	-12.9	9.5%
Total operating expenses	**-84.8**	**58.3%**	**-83.9**	**61.5%**
Profit on operating activities	**17.8**	**12.2%**	**6.7**	**4.9%**
Share-based and similar payment expense	-1.4		-1.3	
Amortisation of intangible assets	-1.7		-2.9	
Profit from recurring operations	**14.7**	**10.1%**	**2.5**	**1.8%**
Other operating income and expenses	-3.5		-1.4	
Operating profit	**11.2**	**7.7%**	**1.1**	**0.8%**
Cost of net financial debt	-2.1		-0.7	
Other financial income and expense	0.4		1.0	
Income taxes	-5.9		1.1	
Net profit	**3.7**	**2.5%**	**2.4**	**1.8%**
Basic earnings per share *(in euros)*	**0.17**		**0.11**	

Change in the workforce

At June 30, 2023, Axway had 1,457 employees compared to 1,525 at December 31, 2022.

Financial position at June 30, 2023

At June 30, 2023, Axway's financial position was solid, with cash of €14.2 million and bank debt of €87.5 million.

As expected, following the transition to a subscription-based business model, Axway's free cash flow started to improve in H1 2023 reaching €16.5 million, compared to €8.2 million a year earlier.

Shareholders' equity stood at €314.6 million at June 30, 2023, compared to €381.1 million at the end of June 2022.

Axway's bank lines, in place through 2027, provide financing of up to €125.0 million. Axway highlights that, if necessary, it has access to available financing capacity under its existing revolving credit facility.

Main risks and uncertainties for the second half of 2023

The level and nature of risks to which the Group is exposed are unchanged compared to the risk factors set out in pages 35 to 52 of the 2022 Universal Registration Document.

2023 Targets & Outlook

For 2023, Axway confirms its annual objectives of organic revenue growth of between 0 and 3% and further improvement of profit on operating activities to reach 15 to 18% of revenue.

Axway's medium-term ambitions remain:

- to achieve revenue of €500 million through organic growth and acquisitions;
- to deliver a profit on operating activities approaching 20% of revenue.

Events after the reporting period

Between 1 July 2023 and the date of the Board of Directors' meeting, there were no significant events likely to impact the financial statements.

Glossary – Alternative Performance Measures

- **ACV:** Annual Contract Value – annual contract value of a Subscription agreement.
- **ARR:** Annual Recurring Revenue – annual invoicing amount forecast for all Subscription and asset maintenance contracts.
- **Employee Engagement score:** employee engagement measured by an independent annual survey.
- **Growth at constant exchange rates:** growth in revenue between the period under review and the prior period restated for exchange rate impacts.
- **NPS:** Net Promoter Score – customer satisfaction and recommendation indicator for a product or a service.
- **Organic growth:** growth in revenue between the prior period, restated for consolidation scope and exchange rate impacts, and the period under review.
- **Profit on operating activities:** profit from recurring operations adjusted for share-based payment expense for stock-options and free shares, as well as the amortisation of allocated intangible assets.
- **Restated revenue:** revenue for the prior period, adjusted for the consolidation scope and exchange rates of the current period.
- **TCV:** Total Contract Value – full contracted value of a Subscription agreement over the contract term.

02

Condensed interim consolidated financial statements

Consolidated income statement

(in thousands of euros)	Notes	H1 2023	H1 2022
Revenue	**3 and 4**	**145,456**	**136,440**
Employee costs	5.1	-88,921	-91,255
Purchase and external expenses	6	-32,296	-31,622
Taxes and duties		-1,761	-1,544
Depreciation and amortisation, provisions and impairment		-6,286	-6,569
Other current operating income and expenses		1,623	1,254
Profit on operating activities		**17,815**	**6,704**
as % of revenue		***12.2%***	***4.9%***
Share-based and similar payment expense	7	-1,405	-1,301
Amortisation of allocated intangible assets		-1,730	-2,903
Profit from recurring operations		**14,681**	**2,500**
as % of revenue		***10.1%***	***1.8%***
Other operating income and expenses	8	-3,461	-1,396
Operating profit/(loss)		**11,220**	**1,104**
as % of revenue		***7.7%***	***0.8%***
Cost of net financial debt	9.1	-2,103	-734
Other financial income and expense	9.2	446	956
Income tax expense	10	-5,877	1,089
Profit for the period from continuing operations		**3,686**	**2,416**
Profit for the period		**3,686**	**2,416**
as % of revenue		***2.5%***	***1.8%***
of wich attibutable to non-controlling interests		1	0
of wich attributable to owners of the Company		**3,685**	**2,416**

Net income per share – attributable to owners of the Company

(in euros)	Notes	H1 2023	H1 2022
Basic earnings per share	**11**	**0.17**	**0.11**
Diluted earnings per share	**11**	**0.17**	**0.11**

Statement of comprehensive income

(in thousands of euros)	H1 2023	H1 2022
Consolidated profit for the period	**3,686**	**2,416**
Other comprehensive income:		
Actuarial gains and losses on pension plans	-770	1,261
Tax impact	199	-326
Sub-total items that will not be reclassified subsequently to profit or loss	**-571**	**935**
Share attributable to non-controlling interests	-	-
Exchange differences on translating foreign operations	-5,157	21,489
Sub-total items that may be reclassified subsequently to profit or loss	**-5,157**	**21,489**
Total other comprehensive income, net of tax	**-5,728**	**22,424**
Total comprehensive income	**-2,042**	**24,840**
of which attributable to non-controlling interests	1	-
of which attributable to owners of the Company	**-2,043**	**24,840**

Consolidated statement of financial position

Assets *(in thousands of euros)*	**Notes**	**30/06/2023**	**31/12/2022**
Goodwill	12.1	299,270	297,792
Intangible assets		6,899	8,685
Property, plant and equipment		10,442	12,469
Right-of-use assets	13.1	12,887	20,139
Non-current financial and other assets		13,753	11,810
Deferred tax assets		18,821	23,062
Non-current assets		**362,071**	**373,956**
Trade receivables	14	135,199	148,149
Other current receivables		34,009	30,642
Cash and cash equivalents	16	14,164	18,321
Current assets		**183,372**	**197,112**
Total assets		**545,443**	**571,068**

Equity and liabilities *(in thousands of euros)*	**Notes**	**30/06/2023**	**31/12/2022**
Share capital		43,267	43,267
Capital reserves		113,380	113,380
Consolidated and other reserves		154,291	211,204
Profit for the period		3,685	-40,045
Equity – attributable to owners of the Company		**314,624**	**327,807**
Non-controlling interests		**10**	**9**
Total equity	**15**	**314,634**	**327,816**
Financial debt – long-term portion	16	83,796	84,594
Lease liabilities – long-term portion	13.2	13,219	23,468
Deferred tax liabilities		3,331	2,680
Other non-current liabilities		10,808	9,013
Non-current liabilities		**111,154**	**119,755**
Financial debt – short-term portion	16	3,726	3,213
Lease liabilities – short-term portion	13.2	6,068	5,774
Trade accounts payable		10,670	11,271
Deferred income	17	66,513	55,628
Other current liabilities	18	32,677	47,612
Current liabilities		**119,655**	**123,497**
Total liabilities		**230,809**	**243,252**
Total equity and liabilities		**545,443**	**571,068**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Capital reserves	Treasury shares	Reserves and consoli-dated profit	Other compre-hensive income	Attributable to: owners of the Company	Attributable to: non-controlling interests	Total
Equity at 30/06/2022	**43,267**	**113,380**	**-6,793**	**184,506**	**46,707**	**381,067**	**5**	**381,072**
Capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,911	-	1,911	-	1,911
Transactions in treasury shares	-	-	-5,153	11	-	-5,142	-	-5,142
Ordinary dividends	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Other movements	-	-	-	40	-49	-9	1	-8
Transactions with shareholders	**-**	**-**	**-5,153**	**1,962**	**-49**	**-3,239**	**1**	**-3,238**
Profit for the period	-	-	-	-42,460	-	-42,460	4	-42,456
Other comprehensive income	-	-	-	-	-7,560	-7,560	-	-7,560
Total comprehensive income for the period	**-**	**-**	**-**	**-42,460**	**-7,560**	**-50,021**	**4**	**-50,017**
Equity at 31/12/2022	**43,267**	**113,380**	**-11,946**	**144,008**	**39 098**	**327,807**	**9**	**327,816**
Capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,261	-	1,261	-	1,261
Transactions in treasury shares	-	-	-773	-3,230	-	-4,003	-	-4,003
Ordinary dividends	-	-	-	-8,402	-	-8,402	-	-8,402
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Other movements	-	-	-	50	-46	4	-	4
Transactions with shareholders			**-773**	**-10,321**	**-46**	**-11,141**	**-**	**-11,141**
Profit for the period	-	-	-	3,686	-	3,686	1	3,687
Other comprehensive income	-	-	-	-	-5,728	-5,728	-	-5,728
Total comprehensive income for the period	**-**	**-**	**-**	**3,686**	**-5,728**	**- 2,042**	**1**	**-2,041**
Equity at 30/06/2023	**43,267**	**113,380**	**-12,719**	**137,372**	**33,324**	**314,624**	**10**	**314,634**

Consolidated statement of cash flows

(in thousands of euros)	Notes	H1 2023	H1 2022
Consolidated profit (including share attributable to non-controlling interests)		**3,686**	**2,416**
Net charges to depreciation, amortisation and provisions		9,429	8,780
Share-based and similar payment expense	7	1,261	1,564
Gains and losses on disposal		-2,221	20
Cash from operations after cost of net financial debt and tax		**12,155**	**12,779**
Cost of net financial debt	9.1	2,103	734
Income tax expense (including deferred tax)	10	5,877	-1,089
Cash from operations before cost of net financial debt and tax (A)		**20,134**	**12,424**
Tax paid (B)		-1,508	-1,601
Changes to operating working capital requirements (including liabilities related to employee benefits) (C)		4,519	2,268
Net cash from operating activities (D) = (A + B + C)		**23,145**	**13,090**
Purchase of intangible assets and PP&E		-1,529	-770
Proceeds from sale of intangible assets and PP&E		14	-
Impact of changes in the scope of consolidation	12	-5,997	-8,910
Change in loans and advances granted		-1,092	-20
Other cash flows from investing activities		29	7
Net cash from (used in) investing activities (E)		**-8,575**	**-9,694**
Proceeds from the exercise of stock options		-	-
Purchases and proceeds from disposal of treasury shares	7	-4,367	-8,645
Dividends paid to shareholders of the parent company		-8,402	-8,492
Proceeds from borrowings	16	18,000	71,000
Repayment of borrowings	16	-18,439	-60,500
Change in lease liabilities	13	-3,463	-3,731
Net interest paid (including finance leases)		-1,627	-359
Other cash flows relating to financing activities		-314	236
Net cash from (used in) financing activities (F)		**-18,611**	**-10,492**
Effect of foreign exchange rate changes (G)		-118	981
Net change in cash and cash equivalents (D + E + F + G)		**-4,158**	**-6,115**
Opening cash position		18,309	25,202
Closing cash position		14,150	19,087

The closing cash position is equal to Cash and cash equivalents less bank overdrafts.

Notes to the condensed interim consolidated financial statements

Contents of the financial statements notes

Note 1 Accounting principles

The condensed interim consolidated financial statements for the half-year ended 30 June 2023, together with the accompanying notes, were prepared under the responsibility of the Board of Directors and approved at its meeting of 26 July 2023.

1.1 Basis of preparation of the condensed interim consolidated financial statements

The consolidated financial statements for the half-year ended 30 June 2023 were prepared in accordance with IAS 34, Interim Financial Reporting, the IFRS published by the IASB (International Accounting Standards Board) and adopted by the European Union. This standard is available on the European Commission website: *http://ec.europa.eu/finance/company-reporting/ifrs-financial- statements/index_en.htm*

The accounting policies underlying the preparation of the condensed interim consolidated financial statements for the half-year ended 30 June 2023 are identical to those adopted for the consolidated financial statements for the year ended 31 December 2022 and described in Chapter 5, Note 1 of the 2022 Universal Registration Document filed on 24 March 2023 with the French Financial Markets Authority (AMF) under no. D. 23-0149 and available on the Company's website at *http://www.investors.axway.com*, except for the new standards and interpretations applicable from 1 January 2023 and presented in Note 1.2.

These condensed interim consolidated financial statements are presented in thousands of euros, unless indicated otherwise.

1.2 Application of new standards and interpretations

The new standards, amendments to existing standards and interpretations adopted by the European Union and of mandatory application in fiscal years beginning on or after 1 January 2023 are as follows:

- IFRS 17 and amendments – *"Insurance contracts"* and amendments to IFRS 17;
- amendments to IAS 1 – Presentation of the financial statements – *"Disclosure of accounting policies"*;
- amendments to IAS 8 – Definition of accounting estimates;
- amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.

These amendments have no material impact on the condensed interim consolidated financial statements and no disclosures are therefore provided in the notes to the consolidated financial statements.

1.3 Estimated impacts of raising the legal retirement age under IAS 19

The French Social Security Financing Act was promulgated on 14 April 2023 and published in the French Official Gazette *(Journal officiel)* of 15 April 2023 following validation by the French Constitutional Council. The main changes introduced by this reform involve the raising of the legal retirement age from 62 to 64 and the extension of the full pension contribution period to 43 years as from 2027.

The assumptions adopted by the Group to calculate retirement termination benefits at 30 June 2023 set the retirement age at 65.

The impact of this reform, which is a plan amendment, will be recognised in the 31 December 2023 financial statements in Profit on operating activities. According to our initial estimates, raising the retirement age from 65 to 67 in our actuarial assumptions would result in a gain of less than €0.2 million in our financial statements.

1.4 International tax reform – Pillar 2

The aim of this international tax reform is to impose a 15% minimum tax on profits in regions where international groups operate. At this stage, the Axway Group would be impacted by this tax reform through its holding company Sopra GMT whose consolidated revenue exceeds €750 million.

As described in Note 7.2.5 of Chapter 7 "Axway Software share capital and shares" of the 2022 Universal Registration Document, Sopra GMT is the holding company of Axway Software and Sopra Steria. It exercises control over the Axway Group due to its direct and indirect holding (under the shareholders' agreement) of over half of the share capital (55.70%) and 66.66% of exercisable voting rights.

At this stage, it is not possible to determine whether this reform will have a major impact on our financial statements.

The Group expects to recognise the initial impacts arising from the application of Pillar 2 in the first half of 2024 at the earliest.

Note 2 Key events and scope of consolidation

Changes in the scope of consolidation

a. Deconsolidated entities

No entities were deconsolidated in the first six months of 2023.

b. Newly-consolidated entities

On 15 March 2023, Axway Software acquired the entire share capital of Advalvas Europe NV in Belgium.

Alvalvas is consolidated in the Axway financial statements from 1 April 2023, as earnings in the second half of March 2023 were immaterial.

Notes to the consolidated income statement

Note 3 Segment reporting

Axway is classified as a single sector group as it is not possible to determine profit on operating activities by activity sector based on either a regional or business analysis. The chief operating decision maker regularly reviews revenue by business line and region, as well as consolidated profit on operating activities.

3.1 Revenue by business line

(in thousands of euros)	H1 2023		H1 2022	
License	3,008	2.1%	6,335	4.6%
Subscription	78,656	54.1%	55,865	40.9%
Maintenance	44,599	30.7%	56,010	41.1%
Services	19,193	13.2%	18,230	13.4%
Total revenue	**145,456**	**100.0%**	**136,440**	**100.0%**

Axway's recurring revenue, which includes Subscription and Maintenance activities, represented 84.7% of revenue in the first half of 2023, i.e. €123.3 million. It includes initial upfront revenue of €34.2 million compared to €18.3 million in the first half of 2022.

The Group's main clients do not account for more than 10% of revenue individually. Axway's dependency on its main clients is low.

3.2 Revenue by region

(in thousands of euros)	H1 2023		H1 2022	
France	45,490	31.3%	37,738	27.7%
Rest of Europe	35,635	24.5%	27,206	19.9%
United States	54,451	37.4%	57,768	42.3%
Other Americas	2,793	1.9%	3,047	2.2%
Asia/Pacific	7,087	4.9%	10,681	7.8%
Total revenue	**145,456**	**100.0%**	**136,440**	**100.0%**

Note 4 Revenue

4.1 Revenue by business line

The breakdown by business line is presented in Note 3.1, Revenue by business line.

4.2 International operations

The breakdown by region is presented in Note 3.2, Revenue by region.

Note 5 Employee costs

5.1 Breakdown of employee costs

(in thousands of euros)	H1 2023	H1 2022
Salaries	72,556	76,131
Social security contributions	17,849	18,294
Research tax credits	-1,950	-3,443
Employee profit-sharing	491	253
Net expense for post-employment and similar benefit obligations	-24	21
Total employee costs	**88,921**	**91,255**

Employee costs accounted for 61.1% of H1 2023 revenue, down compared to H1 2022 (66.9%).

Research tax credits totalled €1.9 million in H1 2023, down €1.5 million.

At 30 June 2023, receivables sold to Credit Agricole and not yet repaid by the French tax authorities totalled €22.5 million. The Group considers that the financing of transferred research tax credits can be derecognised.

Research & Development expenditure incurred in H1 2023 totalled €29.4 million, compared to €28.2 million in H1 2022 (see Section "First-half 2023 results").

Note that the retirement termination payment calculation in France should change in H2 2023. This plan reform will reduce the liability. The impact will be recognised in Other operating income and expenses in Operating profit (see Note 1.3).

5.2 Workforce

Number of employees at 30 June	H1 2023	H1 2022
France	425	453
International	1,032	1,195
Total	**1,457**	**1,648**

At 30 June 2023, Axway had 1,457 employees (29% in France and 71% internationally), down 68 on 31 December 2022.

Average number of employees	H1 2023	H1 2022
France	428	460
International	1,054	1,221
Total	**1,482**	**1,681**

Note 6 Purchases and external expenses

(in thousands of euros)	H1 2023	H1 2022
Purchases of subcontracting services	11,202	13,015
Purchases not for inventory of equipment and supplies	803	804
Purchases and change in stock of merchandise	25	115
Total purchases	**12,030**	**13,935**

Purchases of subcontracting services mainly comprise cloud hosting costs that were considerable given the growth in the Subscription activity.

The decrease in purchases was attributable to tighter control over costs of sales, particularly those relating to subscription revenue (primarily hosting costs) and the sale of the Syncplicity product.

The foreign exchange impact was negligible (+€0.1 million) in the half year.

(in thousands of euros)	H1 2023	H1 2022
Rent and rental charges	4,902	4,917
Lease expenses – IFRS 16 adjustment	-3,243	-3,127
Maintenance and repairs	5,534	4,604
External structure personnel	123	21
Remuneration of intermediaries and fees	3,792	3,082
Advertising and public relations	1,473	2,213
Travel and entertainment	2,046	1,593
Telecommunications	575	902
Sundry	5,064	3,483
Total external expenses	**20,266**	**17,687**

External expenses for the period increased by €2.6 million compared to H1 2022. Following the Covid crisis, the resumption of Sales Kick-Offs generated an additional expense of €1.4 million. Business travel costs rose by €0.5 million in 2023.

The foreign exchange impact was negligible (+€0.1 million) in the half year.

Note 7 Share-based and similar payment expenses

In H1 2023, a new free share grant plan was set up. On 26 April 2023, the Board of Directors approved the "LTI PLAN WINNING" plan involving the grant of 281,500 shares, including 30,000 shares to the Chief Executive Officer, Patrick Donovan. The plan will vest between April 2023 and March 2026 and includes presence and performance conditions.

Other current plans are described in Note 5.4 of Chapter 5 "Consolidated financial statements" of the 2022 Universal Registration Document.

Expenses relating to free performance share grant plans totalled €1.4 million in H1 2023, compared to €1.3 million in H1 2022.

The July 2020 "LTI PLAN BEYOND" free share grant plan was settled in the first half of 2023, with the presentation of 117,074 shares to the Axway Leadership team, members of the Executive Committee and other individuals considered key for the Axway Group. 77,100 shares were presented to the Chief Executive Officer, Patrick Donovan.

Note 8 Other operating income and expenses

In the first half of 2023, the Group implemented restructing plans in the amount of €2.7 million, particularly in France (€0.3 million), Sweden (€0.3 million), the United States (€0.7 million) and China (€0.7 million).

Expenses relating to the acquisition of Advalvas Europe NV totalled €0.3 million. In addition, the Group recorded the cost of implementing the Workday Cloud ERP system in Other operating expenses. These non-recurring costs totalled €0.3 million in H1 2023.

Finally, the Group sought to streamline and modernise its offices at La Défense and has anticipated their lease expiry date. The transaction, which had a neutral impact over the period, breaks down as follows:

- a reduction in the right of use and the lease liability, generating a net gain of €2.2 million;
- impairment of office furniture and fixtures for -€1.3 million;
- an office refurbishment provision of -€0.8 million.

The Group will move into resized premises in a tower that has a dual environmental certification: HQE "Exceptional" and BREEAM "Excellent".

Note 9 Financial income and expense

9.1 Cost of net financial debt

(in thousands of euros)	H1 2023	H1 2022
Income from cash management	-29	-7
Interest expense	1,823	374
Cost of net financial debt	**1,794**	**368**
Net interest on lease liabilities	308	366
Total cost of net financial debt	**2,103**	**734**

The application of IFRS 16 increases the cost of net financial debt by €0.3 million in H1 2023, representing a weighted average marginal interest rate of 2.17%.

9.2 Other financial income and expenses

(in thousands of euros)	H1 2023	H1 2022
Foreign exchange gains and losses	**-562**	**-1,278**
Reversal of provisions	2	0
Other financial income	-14	-
Total foreign exchange gains/losses and other financial income	**-574**	**-1,278**
Charges to provisions	-1	-0
Discounting of retirement benefit commitments	129	38
Change in the value of derivatives	-	-121
Other financial expenses	-	405
Total other financial expense	**129**	**322**
Total other financial income and expense	**-446**	**-956**

Note 10 Income tax expense

(in thousands of euros)	H1 2023	H1 2022
Current tax	1,081	1,406
Deferred tax	4,796	-2,495
Total income tax expense	**5,877**	**-1,089**

The Group effective tax rate is 61.45% in H1 2023, compared to -82.14% in H1 2022.

Deferred tax assets arising from tax losses carried forward are recognised if the subsidiaries or the tax consolidation group are likely to have sufficient taxable earnings to use them. With the exception of Ireland and the United States, at 30 June 2023, the Group maintained the future profit forecasts established at 31 December 2022. No additional tax losses were therefore recognised at 30 June 2023 compared to 31 December 2022.

Axway Software

As deferred tax liabilities totalled €21.9 million, the Group recognised a deferred tax asset of the same amount. The net deferred tax position of Axway Software SA is therefore nil at 30 June 2023 in keeping with the approach adopted at 31 December 2022.

Axway Inc.

At 30 June 2023, capitalised tax losses stood at US$17.0 million (in deferred tax assets). During the half year, the Group utilised tax losses in the amount of US$6.8 million. In addition, the Group no longer capitalised tax losses of US$4 million in respect of future taxable profits which declined due to the impact of R&D cost capitalisation in the tax calculation.

Axway Ireland

At 30 June 2023, the Group considered it preferable to no longer capitalise tax losses. The impact on the first half of the year is a €1.6 million expense. At 31 December 2022, tax losses had been capitalised for taxable profits expected over the coming three years. At 30 June 2023, the Group did not expect any gradual improvement in taxable profits and consumption of prior year tax losses in the medium term.

Other subsidiaries

At 30 June 2023, the Group did not capitalise any additional tax losses.

At 31 December 2022, the tax losses of nine subsidiaries had been capitalised on consolidation in the amount of €2.9 million based on the Tax Planning and the new transfer pricing policy.

At 30 June 2023, **deferred tax assets not recognised** in respect of tax losses available for carry forward amounted to €31.4 million and concerned the following subsidiaries: Axway Inc. in the United States (€10.4 million), Axway Software SA in France (€9.8 million), Axway Ireland (€3.1 million), Axway SRL in Italy (€2.8 million), Axway Software Do Brazil Ltda in Brazil (€2.7 million) and Axway Romania (€1.6 million).

Axway Inc. in the United States receives **research tax credits**. These tax credits may be used to pay corporate income tax due in the 20 years following the year in respect of which the tax credits were recognised. Any excess not offset is not reimbursed.

Axway Inc. research tax credits were received each year between 2003 and 2023. At 30 June 2023, we estimate the total amount of research tax credits available for offset against taxable profits at US$64.4 million (taxable base). These tax credits are recorded in deferred tax assets not capitalised as their probable date of utilisation is too far away. Based on substantiating evidence and detailed business plan estimates, the US$13.5 million in tax credits could be used between 2025 and 2042.

Note 11 Earnings per share

(in euros)	H1 2023	H1 2022
Net income – attributable to owners of the Company	3,685,407	2,415,529
Weighted average number of ordinary shares outstanding	21,633,597	21,633,597
Basic earnings per share	**0.17**	**0.11**

(in euros)	H1 2023	H1 2022
Net income – attributable to owners of the Company	3,685,407	2,415,529
Weighted average number of ordinary shares outstanding	21,633,597	21,633,597
Weighted average number of securities taken into account in respect of dilutive items	640,321	400,436
Weighted average number of shares taken into account to calculate diluted earnings per share	22,273,918	22,034,033
Diluted earnings per share	**0.17**	**0.11**

Notes to the consolidated statement of financial position

Note 12 Goodwill

12.1 Changes in goodwill

Movements in the first half of the year were as follows:

(in thousands of euros)	Gross value	Impairment	Net
31 December 2022	**306,265**	**8,473**	**297,792**
Acquisition of Advalvas	5,791	-	5,791
Translation adjustments	-4,408	-95	-4,313
30 June 2023	**307,647**	**8,378**	**299,270**

Goodwill recognised in the first half of 2023 concerns the acquisition of Advalvas Europe NV in Belgium.

Exchange rate impacts on goodwill mainly concern fluctuations in the euro against the US dollar for €4.3 million.

On 15 March 2023, Axway Software acquired the entire share capital of Advalvas Europe NV in Belgium. The activities of this entity are consolidated in the Axway financial statements from 1 April 2023.

The Advalvas Europe NV goodwill is in the course of measurement at 30 June 2023. Pursuant to IFRS 3 revised, the measurement period may not exceed 15 March 2024.

Provisional goodwill relating to this acquisition was determined on the following basis:

(in thousands of euros)	At 30/06/2023
Purchase price	6,231,962
Present value of earn-outs	-
Acquisition cost	**6,231,962**
Net assets acquired, excluding existing goodwill	441,048
Goodwill	**5,790,914**

The acquisition of Advalvas Europe NV does not include an earn-out.

Given the recent nature of this acquisition at the reporting date, the Group has not yet measured Advalvas Europe NV's technology at 30 June 2023. Advalvas net assets will be valued by 15 March 2024 at the latest.

(in thousands of euros)	Vendor carrying amount	Restatements	Fair value
Intangible assets	26	-	26
Property, plant and equipment	42	-	42
Long-term investments	7	-	7
Lease right of use assets	-	244	244
Deferred tax assets	-	-61	-61
Current assets	338	-	338
Cash and cash equivalents	235	-	235
Financial liabilities	-	-	-
Lease liabilities	-	-247	-247
Provisions for pensions and related commitments	-	-	-
Deferred tax liabilities	-	62	62
Current liabilities	-203	-	-203
Net assets acquired	**444**	**-3**	**441**

12.2 Impairment tests

In the absence of any indication of impairment loss in the first half of 2023, the Group did not perform any further impairment tests in H1 2023.

Note 13 Leases

13.1 Lease right-of-use assets by category

(in thousands of euros)	Leased properties	Leased vehicles	Total
Gross value			
31 December 2022	**37,962**	**1,192**	**39,154**
Changes in scope of consolidation	168	75	244
Acquisitions	1,669	26	1,695
Disposals – assets scrapped	-6,842	-	-6,842
Other movements	-	-	-
Translation adjustments	-228	-5	-233
30 June 2023	**32,729**	**1,288**	**34,018**
Depreciation			
31 December 2022	**-18,281**	**-733**	**-19,015**
Changes in scope of consolidation	-89	-24	-113
Charges	-2,632	-125	-2,757
Disposals – assets scrapped	688	-	688
Other movements	-	-	-
Translation adjustments	64	3	67
30 June 2023	**-20,250**	**-880**	**-21,130**
Net value			
31 December 2022	**19,681**	**459**	**20,139**
30 June 2023	**12,479**	**408**	**12,887**

The Group has anticipated the lease expiry date of its offices at La Défense. The office right of use and the lease liability decreased by €6.2 million and €8.4 million, respectively.

13.2 Debt maturity of lease liabilities

				Breakdown of non-current liabilities				
(in thousands of euros)	Carrying amount	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Lease liabilities	**19,287**	**6,068**	**13,219**	**2,175**	**1,956**	**2,779**	**2,811**	**3,498**

Note 14 Trade receivables

(in thousands of euros)	30/06/2023	31/12/2022
Trade receivables	46,865	65,982
Provision for doubtful receivables	-1,706	-1,680
Trade receivables – net value	**45,159**	**64,302**
Accrued income	90,040	83,847
Total trade receivables	**135,199**	**148,149**

At 30 June 2023, Net trade receivables, expressed in business days, totalled 137 days, comparable to 31 December 2022 (155 days).

The rise in Accrued income is primarily due to the recording of Customer Managed Subscription revenue, including on-premise services recognised in revenue upon delivery and invoiced over the contract term. The DSO for this line item at 30 June 2023 is 90 days, compared to 87 days at 31 December 2022.

The decrease in Trade Receivables was due to improved management of collections during the half year. The DSO is 47 days, compared to 68 days at 31 December 2022.

Note 15 Equity

15.1 Changes in the share capital

At 31 December 2022, the share capital stood at €43,267,194, and comprised 21,633,597 fully paid-up shares with a par value of €2.00 each.

At 30 June 2023, the share capital stood at €43,267,194, and comprised 21,633,597 fully paid-up shares with a par value of €2.00 each.

15.2 Dividends

The General Meeting of Axway Software held on 11 May 2023 to approve the 2022 financial statements approved a dividend of €0.40 per share, representing a total distribution of €8.4 million. This dividend was paid on 7 June 2023, net of the dividend on treasury shares.

Note 16 Financial debt – Net debt

Net debt is €73.4 million at 30 June 2023, compared to €69.5 million at 31 December 2022 and breaks down as follows:

(in thousands of euros)	Current	Non-current	30/06/2023	31/12/2022
Bank borrowings	3,791	78,459	82,250	82,627
Other financial liabilities	-65	5,337	5,272	5,179
Bank overdrafts	-	-	-	-
Financial debt	**3,726**	**83,796**	**87,522**	**87,806**
Cash and cash equivalents	-14,164	-	-14,164	-18,321
Net debt	**-10,438**	**83,796**	**73,358**	**69,485**

The Group has a €125 million multi-currency revolving credit facility (RCF). An “Amendment and maturity extension” agreement was signed on 31 January 2019, reducing the margin scale and relaxing the financial covenants. The initial maturity of July 2021 was directly set at January 2024 and extended in 2022 to April 2027. This amendment signed in 2022 provides for the suppression of the financial ratio. This amendment was treated as a debt extinguishment in the consolidated financial statements.

In addition, the Group was granted increased flexibility by its banks for acquisitions of less than €50 million, with no prior documentation now required.

At 30 June 2023, €43 million of the RCF remained available, representing a utilisation rate of 66%. The RCF is drawn in the amount of €82 million. In H1 2023, the RCF was drawn in the amount of €18 million and a drawdown of US$18 million was repaid.

Two financial ratios, calculated using the published consolidated financial statements, on a 12-month sliding basis, must be met under the covenants:

- "Net debt/EBITDA" ratio;
- "Net debt/shareholders' equity" ratio.

Note that net debt does not include employee profit-sharing liabilities or IFRS 16, *Lease liabilities*, to maintain a constant calculation method.

At 30 June 2023, these financial covenants are both met.

The Group also secured loans in 2016 from BPI France totalling €5 million. Outstanding capital on these borrowings at 30 June 2023 is €0.25 million.

A €4.7 million financial liability equivalent was recorded in Other financial liabilities in respect of the earn-out for DXchange Technologies Private Limited, acquired in June 2022.

Note 17 Current deferred income

(in thousands of euros)	30/06/2023	31/12/2022
Customer contract liabilities	66,513	55,628
Total current customer contract liabilities	**66,513**	**55,628**

Current deferred income, representing customer contract liabilities, is presented in Note 7.6 to the 2022 Universal Registration Document. Movements reflect:

- the recognition of prior-year deferred income in revenue;
- the transfer of prior-year non-current deferred income to current deferred income;
- the emergence of new liabilities as a result of services invoiced but not yet fulfilled.

To avoid the overstatement of asset and liability accounts, deferred income concerning trigger events after 1 January (1 January 2023 for this period) and the corresponding trade receivables not settled at the previous reporting date (31 December 2022) were offset in the balance sheet at 31 December 2022. There was no offset at 30 June.

Some current customer contract liabilities at 31 December 2022 were recognised in revenue in the first half of 2023.

Compared to 31 December 2022, current deferred income increased mainly due to the reverse offsetting of deferred income at 30 June 2023 and the signature of Axway Managed subscription contracts.

Note 18 Other current liabilities

(in thousands of euros)	30/06/2023	31/12/2022
Amounts payable on non-current assets	-	-
Advances and payments on account received for orders	185	101
Employee-related liabilities	20,969	34,314
Tax payables (other than income tax)	7,454	7,511
Income tax	1,139	968
Other liabilities	2,138	4,243
Provisions for restucturing	793	435
Total other current liabilities	**32,677**	**47,573**

The decrease in Employee-related liabilities is due to the seasonal nature of commission and bonuses provided at 31 December 2022, which exceed those provided for at 30 June 2023.

Other information

Note 19 Related-party transactions

Agreements entered into with parties related to the Axway Group were identified in Note 4.2 “Related-party transactions” in Axway’s 2022 Universal Registration Document, filed with the French Financial Markets Authority (AMF) on 24 March 2023, under no. D. 23-0149 and available on the Company’s website at *http://www.investors.axway.com*. The Axway 2022 Universal Registration Document also includes the Statutory Auditors’ report on regulated agreements.

Excluding those agreements described in the 2022 Universal Registration Document, to the best of the Company’s knowledge, there were no new Axway Group related-party agreements in H1 2023 likely to have a material impact on the Company’s financial position or results during the period.

Note 20 Off-balance-sheet commitments and contingent liabilities

The Group’s off-balance sheet commitments are granted or received by Axway and its subsidiaries.

At 30 June 2023, the Group signed a new 9-year lease for offices in the Trinity tower located in the Paris La Défense business district.

Excluding this lease, commitments have not significantly changed since 31 December 2022.

At 30 June 2023, the Group complied with all covenants and commitments under the syndicated credit facility.

Note that net debt used in the calculations does not include the impacts of application of IFRS 16, *Leases*, or employee profit-sharing liabilities.

The syndicated credit facility totals €125 million. It was extended in 2022 and will mature in April 2027. In addition, the Group was granted increased flexibility by its banks for acquisitions of less than €50 million, with no prior documentation now required.

Two financial ratios must be met under covenants: These ratios are:

- “Net debt/EBITDA” ratio below 3.0 throughout the term of the loan. This ratio was 1.30 at 30 June 2023 (1.39 at 31 December 2022);
- “Net debt/shareholders’ equity” ratio below 1.0 throughout the term of the loan. This ratio was 0.23 at 30 June 2023 (0.21 at 31 December 2022.)

At 30 June 2023, the RCF (revolving credit facility) stood at €82.0 million. At 30 June 2023, the syndicated facility was available in the amount of €43.0 million.

As part of commitments received, Axway Software also enjoys an unused overdraft line of €20 million.

Note 21 Exceptional events and legal disputes

To the best of the Group’s knowledge, and notwithstanding the information provided herein, at the date of this report, no disputes or litigation known or ongoing are likely to have a significant negative impact on the Group’s financial position.

Note 22 Events after the reporting period

Between 1 July 2023 and the date of the Board of Directors’ meeting, there were no significant events likely to impact the financial statements.

Statutory Auditors' report on the interim financial statements

This is a translation into English of the Statutory Auditors' report on the interim financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Dear Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code (*code monétaire et financier*), we have:

- conducted a limited review of the accompanying condensed interim consolidated financial statements of Axway Software for the period from 1 January to 30 June 2023;
- verified the information provided in the half-year management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

I Conclusion on the financial statements

We conducted our limited review in accordance with the professional standards applicable in France.

A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements are not prepared in all material respects in accordance with IAS 34, as adopted by the European Union applicable to interim financial information.

II Specific verification

We have also verified the information presented in the half-year management report commenting on the condensed interim consolidated financial statements that were the subject of our limited review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris la Défense, 31 July 2023

The Statutory Auditors

Mazars	**Aca Nexia**
Jérôme Neyret	Olivier Juramie
Partner	Partner

Declaration by the person responsible for the interim financial report

"I declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the half-year ended have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Axway Group and of all the entities included in the scope of consolidation, and that this Interim financial report provides a fair review of the significant events that occurred in the first six months of the fiscal year and their impact on the financial statements, and of the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year."

Paris La Défense, 31 July 2023

Patrick Donovan

Chief Executive Officer

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That's us.
That's Axway.

Axway turns your heritage infrastructure into brilliant digital customer experiences, extending the value of your previous investments, adding new business capabilities, and putting you on a future-proof platform to drive your growth ambitions.

For over 20 years, Axway's missioncritical solutions have been crucial to your customers' daily lives and, together, we'll continue to delight them for the next 20.

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