INTERIM FINANCIAL REPORT FOR THE SIX-MONTH PERIOD

ended 30 June 2011

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Contents

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ended 30 June 2011

This document is a free translation into English of the original French “Rapport financier semestriel au 30 juin 2011”, hereafter referred to as the “Interim financial report for the six-month period ended 30 June 2011”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

AXWAY
Société anonyme
Registered office: PAE Les Glaisins
3 rue du Pré Faucon
F - 74940 Annecy-le-Vieux
433 977 980 RCS Annecy
www.axway.com

1

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS *(in thousands of euros)*	Notes	30/06/2011	30/06/2010	31/12/2010
Goodwill	5	156,409	174,661	165,672
Intangible assets	6	18,451	23,640	20,845
Property and equipment	7	4,517	2,940	3,478
Financial assets	8	1,360	620	650
Deferred tax assets	9	18,674	10,121	17,942
Other non-current assets		-	-	-
Non-current assets		**199,411**	**211,982**	**208,587**
Inventories		242	425	505
Trade accounts receivable	10	57,636	55,269	65,765
Other current receivables	11	12,064	8,817	11,171
Cash and cash equivalents	12	13,723	19,848	22,379
Current assets		**83,665**	**84,359**	**99,820**
TOTAL ASSETS		**283,076**	**296,341**	**308,407**

LIABILITIES AND EQUITY *(in thousands of euros)*	Notes	30/06/2011	30/06/2010	31/12/2010
Share capital		32,241	75,620	75,620
Capital reserves		45,918	1,169	1,169
Consolidated reserves		43,802	40,728	40,728
Profit for the period		2,931	2,648	26,595
Gains and losses taken directly to equity		-6,471	10,008	3,983
Equity – Group share		**118,421**	**130,173**	**148,095**
Minority interests		**2**	**2**	**2**
TOTAL EQUITY	**13**	**118,423**	**130,175**	**148,097**
Financial debt – long-term portion	14	1,963	1,773	1,774
Current account with Sopra Group		60,000	63,943	68,432
Deferred tax liabilities	9	10,447	8,029	9,182
Provision for post-employment benefits	15	5,478	5,093	5,206
Non-current provisions	16	1,028	1,036	1,155
Other non-current liabilities	16	-	1,888	1,909
Non-current liabilities		**78,916**	**81,762**	**87,658**
Financial debt – short-term portion	14	814	299	352
Trade accounts payables	18	11,883	9,627	7,460
Other current liabilities	19	73,040	74,478	64,840
Current liabilities		**85,737**	**84,404**	**72,652**
TOTAL LIABILITIES		**164,653**	**166,166**	**160,310**
TOTAL LIABILITIES AND EQUITY		**283,076**	**296,341**	**308,407**

STATEMENT OF COMPREHENSIVE INCOME

Income statement

		1st half 2011		1st half 2010		2010	
(in thousands of euros)	**Notes**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Revenue	20	100,018	100.0%	95,311	100.0%	208,421	100.0%
Purchases consumed	21	-7,272	-7.3%	-5,787	-6.1%	-13,531	-6.5%
Staff costs	22	-63,763	-63.8%	-63,888	-67.0%	-130,878	-62.8%
External expenses	23	-19,076	-19.1%	-17,692	-18.6%	-34,948	-16.8%
Taxes and duties		-725	-0.7%	-756	-0.8%	-1,486	-0.7%
Depreciation and amortisation	24	-885	-0.9%	-666	-0.7%	-1,454	-0.7%
Provisions and impairment	24	-231	-0.2%	-294	-0.3%	-273	-0.1%
Other operating income from recurring operations		2,431	2.4%	1,790	1.9%	5,023	2.4%
Other operating expenses from recurring operations		-219	-0.2%	134	0.1%	211	0.1%
Operating profit on business activity		**10,278**	**10.3%**	**8,152**	**8.6%**	**31,085**	**14.9%**
Amortisation of allocated intangible assets	25	-922	-0.9%	-972	-1.0%	-1,944	-0.9%
Profit from recurring operations		**9,356**	**9.4%**	**7,180**	**7.5%**	**29,141**	**14.0%**
Other operating income and expenses	26	-3,425	-3.4%	-1,880	-2.0%	-3,583	-1.7%
Operating profit		**5,931**	**5.9%**	**5,300**	**5.6%**	**25,558**	**12.3%**
Income from cash and cash equivalents	27	3	0.0%	-	0.0%	10	0.0%
Cost of gross financial debt	27	-784	-0.8%	-913	-1.0%	-1,725	-0.8%
Cost of net financial debt		**-781**	**-0.8%**	**-913**	**-1.0%**	**-1,715**	**-0.8%**
Foreign exchange gains and losses	27	-1,075	-1.1%	401	0.4%	-160	-0.1%
Other financial income and expense	27	-62	-0.1%	-58	-0.1%	-133	-0.1%
Tax charge	28	-1,082	-1.1%	-2,082	-2.2%	3,046	1.5%
Net profit for the period from continuing operations		**2,931**	**2.9%**	**2,648**	**2.8%**	**26,596**	**12.8%**
Profit after tax from discontinued operations		0	0.0%	-	0.0%	-	0.0%
NET PROFIT		**2,931**	**2.9%**	**2,648**	**2.8%**	**26,596**	**12.8%**
Attributable to Group		**2,931**	**2.9%**	**2,648**	**2.8%**	**26,595**	**12.8%**
Minority interests		-	-	-	-	1	-

EARNINGS PER SHARE *(in euros)*	**Notes**	**1st half 2011**	**1st half 2010**	**2010**
Basic earnings per share	29	0.18	1.33	13.36
Fully diluted earnings per share	29	0.18	1.33	13.36

Gains and losses recognised directly in equity

(in thousands of euros)	1st half 2011	1st half 2010	2010
Net profit	**2,931**	**2,648**	**26,596**
Translation differential	-10,452	17,705	11,583
Actuarial gains and losses on pension plans	-2	-489	-392
Change in the value of derivatives	-	-	-
Total gains and losses recognised directly in equity	**-10,454**	**17,216**	**11,191**
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	**-7,523**	**19,864**	**37,787**
Attributable to Group	**-7,523**	**19,864**	**37,786**
Minority interests	-	-	1

STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Share capital	Capital reserves	Consolidated reserves	Profit for the period	Translation reserves	Actuarial gains and losses on pension plans	Total Group share	Minority interests	Total
Equity at 31/12/2009	**75,620**	**1,169**	**30,748**	**9,980**	**-6,397**	**-811**	**110,309**	**2**	**110,311**
Profit for the period	-	-	-	2,648	-	-	2,648	1	2,649
Other comprehensive income statement items	-	-	-	-	17,705	-489	17,216	-	17,216
Total comprehensive profit for the period	**-**	**-**	**-**	**2,648**	**17,705**	**-489**	**19,864**	**1**	**19,865**
Capital transactions	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	-	-
Appropriation of profit	-	-	9,980	-9,980	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-1	-1
Equity at 30/06/2010	**75,620**	**1,169**	**40,728**	**2,648**	**11,308**	**-1,300**	**130,173**	**2**	**130,175**
Profit for the period	-	-	-	23,947	-	-	23,947		23,947
Other comprehensive income statement items	-	-	-	-	-6,122	97	-6,025	-	-6,025
Total comprehensive profit for the period	**-**	**-**	**-**	**23,947**	**-6,122**	**97**	**17,922**	**-**	**17,922**
Capital transactions	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	-	-
Appropriation of profit	-	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
Equity at 31/12/2010	**75,620**	**1,169**	**40,728**	**26,595**	**5,186**	**-1,203**	**148,095**	**2**	**148,097**
Profit for the period	-	-	-	2,931	-	-	2,931		2,931
Other comprehensive income statement items	-	-	-	-	-10,452	-2	-10,454	-	-10,454
Total comprehensive profit for the period	**-**	**-**	**-**	**2,931**	**-10,452**	**-2**	**-7,523**	**-**	**-7,523**
Capital transactions	-43,379	44,331	-952	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-367	-	-	-	-367	-	-367
Appropriation of profit	-	418	4,393	-26,595	-	-	-21,784	-	-21,784
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
EQUITY AT 30/06/2011	**32,241**	**45,918**	**43,802**	**2,931**	**-5,266**	**-1,205**	**118,421**	**2**	**118,423**

CASH FLOW STATEMENT

(in thousands of euros)	1st half 2011	1st half 2010	2010
Consolidated net profit (including minority interests)	**2,931**	**2,648**	**26,596**
Net increase in depreciation, amortisation and provisions	2,050	1,862	3,863
Unrealised gains and losses relating to changes in fair value	-	-	-
Share-based payment expense	-	-	-
Other calculated income and expense	133	-3,427	-1,272
Gains and losses on disposal	-7	1	38
Cash from operations after cost of net debt and tax	**5,107**	**1,084**	**29,225**
Net cost of financial debt	781	913	1,715
Income taxes (including deferred tax)	1,082	2,082	-3,046
Cash from operations before cost of net debt and tax (A)	**6,970**	**4,079**	**27,894**
Tax paid (B)	2,750	3,513	-6,587
Changes in operating working capital requirements (including liabilities related to employee benefits) (C)	15,616	14,671	2,517
Net cash from operating activities (D) = (A+B+C)	**25,336**	**22,263**	**23,824**
Purchase of tangible and intangible fixed assets	-2,254	-1,283	-2,876
Proceeds from sale of tangible and intangible fixed assets	18	-	2
Purchase of financial assets	-752	-31	-41
Proceeds from sale of financial assets	10	166	123
Impact of changes in the scope of consolidation	-	-	-4
Net cash from (used in) investing activities (E)	**-2,978**	**-1,148**	**-2,796**
Proceeds on issue of shares	-	-	-
Proceeds on the exercise of stock options	-	-	-
Purchase and proceeds from disposal of treasury shares	-360	-	-
Dividends paid during the period:	-	-	-
• Dividends paid to shareholders of Sopra Group SA	-21,784	-	-
• Dividends paid to minority interests of consolidated expenses	-	-	-
Change in borrowings	-	-	-
Change in current account – Sopra Group	-8,422	-12,657	-8,179
Net interest paid (including finance leases)	-780	-913	-1,715
Other cash flow relating to financing activities	343	207	212
Net cash from (used in) financing activities (F)	**-31,003**	**-13,363**	**-9,682**
Effect of foreign exchange rate changes (G)	-319	755	-358
NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)	**-8,964**	**8,507**	**10,988**
Opening cash position	22,274	11,286	11,286
Closing cash position	13,310	19,793	22,274

Notes to the consolidated financial statements

ACCOUNTING PRINCIPLES AND POLICIES

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTES TO THE CONSOLIDATED INCOME STATEMENT

OTHER INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These are Axway group's first consolidated financial statements subsequent to the company's listing on the NYSE Euronext market in Paris on 14 June 2011. The consolidated financial statements have been prepared based on the principles set out below in order to provide an economic view of the scope of Axway's business, which until that date was not an autonomous group.

These consolidated financial statements have been prepared based on the financial statements of companies historically included within Sopra Group's consolidated financial statements, in accordance with accounting principles and methods in force as at 30 June 2011.

Axway, the Business Interaction Networks company, is one of the very few providers in the market today able to manage, run, secure and monitor all business interactions, whether occurring via e-mail, files, messages, services, events or processes. Over 11,000 companies and organisations in more than 100 countries depend upon Axway to facilitate B2B integration and accelerate business processes and transactions while eliminating communications silos within the enterprise as well as those between the enterprise and its clients, partners and suppliers. Axway's comprehensive offering includes software for B2B integration, managed file transfer, e-mail security, business activity monitoring, enterprise application integration, service-oriented architecture, business process management, track and trace, and identity validation. In addition, Axway provides a full range of assistance, project management and managed services as well as cloud computing or Software-as-a-Service (SaaS) implementation solutions.

Axway Software (the original parent company of the Axway group) is a French société anonyme, with its registered office at Parc des Glaisins, F-74940 Annecy-le-Vieux and its corporate headquarters at 6811 E. Mayo Blvd., Suite 400, Phoenix, Arizona 85054, USA.

The consolidated financial statements for the six-month period ended 30 June 2011 of Axway Software were approved by the Board of Directors' meeting of 30 August 2011.

ACCOUNTING PRINCIPLES AND POLICIES

Note 1 | Summary of main accounting principles

The main accounting policies applied for the preparation of the consolidated financial statements are presented below. They have been applied consistently for all of the financial years presented.

1.1. Basis of preparation

The consolidated financial statements for the six-month period ended 30 June 2011 were prepared in accordance with:

- IFRS standards as adopted by the European Union. This information is available on the website of the European Commission: http://ec.europa.eu/internal_market/accounting/ias_en.htm;
- IFRS as published by the IASB.

They were prepared mainly using the historical cost convention, except for employee benefits, share subscription options, financial debt and derivatives which are measured at fair value.

The consolidated financial statements as of 30 June 2011 comply with IAS 34 *Interim Financial Reporting* and its amendment adopted by way of Regulation EC 149/2011 of 18 February 2011. They represent summary interim financial statements and do not include all the information required to form part of annual financial statements. They should be read in conjunction with the Axway Prospectus, affixed with visa number 11-137, dated 29 April 2011, available on the internet at www.axway.com.

The accounting policies applied by the Group in preparing the consolidated financial statements for the period ended 30 June 2011 are identical to those applied in the published consolidated financial statements for the period ended 31 December 2010.

Values for various expense items such as annual bonuses, employee profit sharing and corporate income tax are subject to an estimate for the half-year period.

1.2. Application of new standards and interpretations

a. New mandatory standards and interpretations

The following standards have been adopted by the European Union and are subject to mandatory application for periods beginning on or after 1 January 2011:

- IAS 24 *Related Party Disclosures* (as revised in 2009);
- Amendment to IAS 32 *Financial Instruments: Presentation,* "Classification of Rights Issues";
- Amendment to IAS 34 *Interim Financial Reporting;*
- Amendment to IFRS 1, "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters";
- 2010 IFRS improvements in relation to IAS 1, 21, 27, 28, 31, 32, 34 and 39, IFRS 1, 3 and 7 and IFRIC 13;
- Amendment to IFRIC 14, "Prepayments of a Minimum Funding Requirement";
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

The entry into force of these standards had no impact on the Group's financial statements.

b. Standards and interpretations adopted by the European Union and subject to early application

None.

c. Standards and interpretations published by the IASB but not yet adopted by the European Union

The Group did not opt for early application of any of these standards or interpretations. These primarily relate to:

- Amendment to IFRS 7 "Disclosures – Transfers of financial assets";
- IFRS 9 *Financial Instruments* (Phase 1: Classification and Measurement of Financial Assets);
- IFRS 10 *Consolidated Financial Statements,* together with other standards relating to consolidation: IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised);
- IFRS 13 *Fair Value Measurement.*

Note 2 | Key events

The main event in the first half of 2011 was the completion of the planned spin-off of Axway Software and from Sopra Group's legacy businesses, reflected in the following:

- AMF approval of Axway Software's listing prospectus, obtained on 29 April 2011;
- the listing of Axway on the NYSE Euronext regulated market in Paris on 14 June 2011 (code: AXW).

By improving the visibility and clarity of Axway's businesses and performance, the spin-off will lead to a significant increase in awareness of the company and improved recognition of its value. Axway's independence will add impetus to the company's industrial objectives, open up access to new sources of financing and give the company greater latitude to enter into alliances and pursue external growth acquisitions.

Note 3 | Scope of consolidation

3.1. List of consolidated companies in the first half of 2011

Company	Country	% control	% held	Consolidation method
Axway Software	France	-	-	Parent company
Axway Distribution France SAS	France	100%	100%	FC
Axway Holding Distribution SAS	France	100%	100%	FC
Axway SAS	France	100%	100%	FC
Axway UK Ltd	United Kingdom	100%	100%	FC
Axway Nordic AB	Sweden	100%	100%	FC
Axway GmbH	Germany	100%	100%	FC
Tumbleweed Communications Holding GmbH	Switzerland	100%	100%	FC
Axway BV	Netherlands	100%	100%	FC
Axway Belgium	Belgium	100%	100%	FC
Axway Srl	Italy	100%	100%	FC
Axway Software Iberia	Spain	100%	100%	FC
Axway Romania Srl	Romania	100%	100%	FC
Axway Bulgaria EOOD	Bulgaria	100%	100%	FC
Axway Inc.	United States	100%	100%	FC
Axway Pte Ltd	Singapore	100%	100%	FC
Axway Software China	China	100%	100%	FC
Axway Ltd	Hong Kong	100%	100%	FC
Axway Software Sdn Bhd	Malaysia	100%	100%	FC
Axway Pty Ltd	Australia	100%	100%	FC
Axway Software Korea Corp. Ltd	South Korea	100%	100%	FC

FC: Fully consolidated.

3.2. Changes in the consolidation scope

The Axway Asia Pacific Pte Ltd holding company based in Singapore was removed from the scope of consolidation in the first half of 2011 after it ceased operations.

Note 4 | Comparability of the accounts

The only change in the first half of 2011 was the removal of the Axway Asia Pacific Pte Ltd Asian holding company based in Singapore.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 5 | Goodwill

5.1. Changes in goodwill

The principal movements in the first half of 2011 are as follows:

(in thousands of euros)	Gross value	Impairment	Net
31 December 2009	**162,955**	**8,613**	**154,342**
Adjustments relating to business combinations	-	-	-
Translation adjustments	20,455	136	20,319
30 June 2010	**183,410**	**8,749**	**174,661**
Adjustments relating to business combinations	-	-	-
Translation adjustments	-8,869	120	-8,989
31 December 2010	**174,541**	**8,869**	**165,672**
Adjustments relating to business combinations	-	-	-
Translation adjustments	-9,309	-46	-9,263
30 JUNE 2011	**165,232**	**8,823**	**156,409**

5.2. Translation differential

The translation differentials result mainly from changes in the value of the euro against the following currencies:

Variation euro/currency *(in thousands of euros)*	30/06/2011	30/06/2010	31/12/2010
U S D (Axway Inc.)	-8,768	18,744	8,417
S E K (Axway Nordic AB)	-502	1,469	2,765
Other	7	106	148
TOTAL	**-9,263**	**20,319**	**11,330**

Note 6 | Intangible assets

(in thousands of euros)	Gross value	Amortisation	Net
31 December 2009	**31,063**	**9,794**	**21,269**
Changes in scope	-	-	-
Acquisitions	40	-	40
Disposals	-	-	-
Other movements	-	-	-
Translation differential	4,380	913	3,467
Amortisation	-	1,136	-1,136
30 June 2010	**35,483**	**11,843**	**23,640**
Changes in scope	-	-	-
Acquisitions	195	-	195
Disposals	-179	-150	-29
Other movements	-	-	-
Translation differential	-2,413	-558	-1,855
Amortisation	-	1,106	-1,106
31 December 2010	**33,086**	**12,241**	**20,845**
Changes in scope	-	-	-
Acquisitions	156	-	156
Disposals	-	-	-
Other movements	-20	-	-20
Translation differential	-2,040	-561	-1,479
Amortisation	-	1,051	-1,051
30 JUNE 2011	**31,182**	**12,731**	**18,451**

Intangible assets essentially include non-proprietary software used in the Group's ordinary course of business as well as software and client and distributor relations acquired during the Group's acquisitions.

No expense was incurred in developing the Group's solutions and software was capitalised, either in 2011 or in previous years.

Note 7 | Property and equipment

(in thousands of euros)	Furniture, fixtures, and fittings	IT equipment	Total
GROSS VALUE			
31 December 2009	**5,919**	**9,260**	**15,179**
Translation adjustments	465	1,341	1,806
Acquisitions	183	1,647	1,830
Disposals	-70	-28	-98
Other movements	-	-	-
Changes in the scope of consolidation	-	-	-
30 June 2010	**6,497**	**12,220**	**18,717**
Translation adjustments	-237	-748	-985
Acquisitions	144	1,123	1,267
Disposals	-24	-240	-264
Other movements	-	-	-
Changes in the scope of consolidation	-	-	-
31 December 2010	**6,380**	**12,355**	**18,735**
Translation adjustments	-230	-662	-892
Acquisitions	198	1,672	1,870
Disposals	-	-34	-34
Other movements	-	20	20
Changes in the scope of consolidation	-	-	-
30 JUNE 2011	**6,348**	**13,351**	**19,699**
DEPRECIATION			
31 December 2009	**5,114**	**8,563**	**13,677**
Translation adjustments	440	1,256	1,696
Charges	200	302	502
Reversals	-70	-28	-98
Other movements	-	-	-
Changes in the scope of consolidation	-	-	-
30 June 2010	**5,684**	**10,093**	**15,777**
Translation adjustments	-230	-691	-921
Charges	196	458	654
Reversals	-25	-228	-253
Other movements	-	-	-
Changes in the scope of consolidation	-	-	-
31 December 2010	**5,625**	**9,632**	**15,257**
Translation adjustments	-216	-598	-814
Charges	175	580	755
Reversals		-16	-16
Other movements	-	-	-
Changes in the scope of consolidation	-	-	-
30 JUNE 2011	**5,584**	**9,598**	**15,182**
NET VALUE			
31 December 2010	**755**	**2,723**	**3,478**
30 June 2010	**813**	**2,127**	**2,940**
30 JUNE 2011	**764**	**3,753**	**4,517**

- Investments made by the Group in property and equipment assets primarily include office equipment in France and abroad and information technology equipment (central systems, work stations and networks).
- Amounts included under disposals during the year correspond primarily to the scrapping of computer equipment each year after taking inventory, and premises for which leases were not renewed that the Group no longer occupies.

Note 8 | Financial assets

8.1. Categories of financial assets

The Group's non-current financial assets relate to loans and receivables.

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Assets at fair value through profit and loss	-	-	-
Held to maturity assets	-	-	-
Available for sale assets	-	-	-
Loans and receivables	1,360	620	650
TOTAL	**1,360**	**620**	**650**

8.2. Loans and receivables

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Receivables from unconsolidated equity interests – gross value	-	-	-
Provisions for receivables from unconsolidated equity interests	-	-	-
Receivables from unconsolidated equity interests – net value	**-**	**-**	**-**
Loans	-	-	-
Deposits and other non-current financial assets	1,360	620	650
Provisions for loans, deposits and other non-current financial assets	-	-	-
Loans, deposits and other non-current financial assets – net value	**1,360**	**620**	**650**
TOTAL	**1,360**	**620**	**650**

Deposits and other non-current financial assets consist mainly of guarantees given for the leased premises. Non-remunerated deposits are maintained at their nominal value, given that the effect of discounting is not significant.

Note 9 | Deferred tax assets and liabilities

9.1. Breakdown by maturity

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Deferred tax assets (DTA)			
• less than one year	1,911	674	2,516
• more than one year	16,763	9,447	15,426
TOTAL DTA	**18,674**	**10,121**	**17,942**
Deferred tax liabilities (DTL)			
• less than one year	-	-	-
• more than one year	-10,447	-8,029	-9,182
TOTAL DTL	**-10,447**	**-8,029**	**-9,182**
NET DEFERRED TAX	**8,227**	**2,092**	**8,760**

9.2. Change in net deferred tax

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Beginning of period	**8,760**	**1,345**	**1,345**
Changes in the scope of consolidation	-	-	-
Tax – income statement impact	-292	505	7,273
Tax – equity impact	1	257	205
Translation adjustments	-242	-15	-63
END OF PERIOD	**8,227**	**2,092**	**8,760**

9.3. Breakdown of net deferred tax by type

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Differences related to consolidation adjustments			
Actuarial gains and losses recognised for post-employment obligations	517	594	532
Software depreciation and amortisation	8,462	-	4,659
Fair value of amortisable allocated intangible assets	-6,067	-7,835	-6,879
Discounting of employee profit sharing	54	99	112
Regulated provisions	-4,380	-194	-2,303
Capitalised tax losses	4,699	7,835	6,879
Temporary differences from tax returns			
Provision for pensions	1,091	911	993
Provision for employee profit sharing	-	637	584
Provision for Organic tax	40	37	61
Differences in amortisation periods	-	-	-
Provisions for investments	-	-	-
Tax inspection: provisions reintegrated that were subsequently non taxable	-	-	-
Capitalised tax losses	3,805	-	4,116
Other	6	8	6
TOTAL	**8,227**	**2,092**	**8,760**

In the course of the 2010 financial year, Axway Software was able to apply an exceptional capital cost allowance over 12 months in respect of an internal transfer from Axway Inc. in the amount of $18.2 million. This operation generated net deferred tax of €2.5 million, comprised in part of deferred tax assets in the amount of €4.6 million (recognised under “Software depreciation and amortisation of revalued software”) and in part of deferred tax liabilities in the amount of €2.1 million (recognised under “Tax-driven provisions”).

An assessment of the probability of recovery of losses carried forward by the Axway Inc. subsidiary led to deferred tax being activated up to the amount of expected taxable profits over the next two years, in the amount of $5.5 million (€4.1 million).

In the second quarter of 2011, $18 million in intangible assets (copyrights on software applications) were transferred internally from Axway Inc to Axway Software as part of a project to centralise all intellectual property in France. The deductible timing difference generated by this transfer did not give rise to the activation of any deferred taxes in the interim financial statements, since the impact on the tax charge for the half-year, determined in accordance with IAS 34 (section 30 c), was not significant.

With regard to the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE), a component based on the value added each year by the business and forming part of the new *Contribution Économique Territoriale* (CET), the replacement for the professional tax introduced by the French Finance Act for 2010, the Group has decided to recognise this component under corporate income tax in order to ensure consistency with the treatment of similar taxes in other countries. This approach is also consistent with the position adopted by Syntec Informatique and made public on 10 February 2010.

9.4. Deferred tax assets not recognised by the Group

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Tax losses carried forward	55,766	46,599	48,912
Temporary differences	288	837	373
TOTAL	**56,054**	**47,436**	**49,285**

9.5. Maturity of tax losses carried forward

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
N+1	6,040	15,864	17,864
N+2	14,145	18,867	20,270
N+3	1,784	515	1,100
N+4	731	972	703
N+5 and subsequent years	126,056	108,247	103,046
Tax losses carried forward with a maturity date	148,756	144,465	142,983
Tax losses which may be carried forward indefinitely	28,983	19,495	20,767
TOTAL	**177,739**	**163,960**	**163,750**
Deferred tax basis – activated	24,759	22,385	31,760
Deferred tax basis – not activated	152,980	141,575	131,990
Deferred tax – activated	9,259	7,835	10,995
Deferred tax – not activated	55,766	46,599	48,912

At 30 June 2011, deferred tax assets not activated on tax loss carry forwards came to €55.8 million and mainly concerned the following subsidiaries: Axway Inc. (€49.9 million), Axway UK (€3.7 million), and Axway Pte Ltd in Singapour (€1.2 million) and Axway Srl in Italy (€0.9 million).

Note 10 | Trade accounts receivable

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Trade accounts receivable	48,573	47,206	60,558
Accrued income	10,652	9,728	6,743
Accrued credit notes	-1,138	-877	-981
Provision for doubtful debtors	-451	-788	-555
TOTAL	**57,636**	**55,269**	**65,765**

Accrued income is comprised essentially of work performed in respect of licences and services recognised using the methods explained in Note 1.19 of the Prospectus.

Note 11 | Other current receivables

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Staff and social security	154	679	178
Tax receivables (other than corporate income tax)	3,586	3,759	2,337
Corporate income tax	4,313	203	5,466
Other receivables	402	1,490	911
Prepaid expenses	3,609	2,686	2,279
TOTAL	**12,064**	**8,817**	**11,171**

Tax receivables of €3.6 million relate mainly to deductible VAT (of €3.0 million).

Note 12 | Cash and cash equivalents

The cash flow statement is presented on page 10.

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Investment securities	-	-	-
Cash and cash equivalents	13,723	19,848	22,379
Cash and cash equivalents	**13,723**	**19,848**	**22,379**
Current bank overdrafts	-413	-55	-105
TOTAL	**13,310**	**19,793**	**22,274**

Net cash and cash equivalents include available liquid funds (cash and positive bank balances), liquid marketable securities that meet the definition of cash equivalents as indicated in Note 1.14 of the Prospectus, bills of exchange presented for collection and falling due before the balance sheet date and temporary bank overdrafts.

Note 13 | Equity

The consolidated statement of changes in equity is presented on page 9.

13.1. Changes in the share capital

At 31 December 2010, Axway Software SA had share capital of €75,620,000, comprising 1,990,000 shares with a nominal value of €38.

Changes in the first half of 2011 were as follows:

- an eight-for-one share split;
- a capital increase by capitalising reserves totalling €952,436.75 from "Other reserves" and creating 200,513 new shares with a par value of €4.75 each;
- a reduction in capital by reducing the par value of each share from €4.75 to €2.00.

The resulting share capital at 30 June 2011 stood at €32,241,026, consisting of 16,120,513 fully paid-up shares with a par value of €2.00 each.

13.2. Share subscription option plans

Grant date	Position on inception: Number of shares	Position on inception: Exercise price	Exercise period of options: Beginning date	Exercise period of options: End date	Position at beginning of period: Number of shares	Position at beginning of period: Exercise price	Changes during the period: Number of shares	Changes during the period: Exercise price	Position at 30/06/2011: Number of shares	Position at 30/06/2011: Exercise price	Fair value at grant date
PLAN No. 1 – 2007 stock option plan, maximum issue of 1,990,000 shares - General Meeting 23/05/2007											
23/05/2007	20,100	€106.90	24/05/2011	23/05/2012	20,100	€106.90	150,250	-€94.29	170,350	€12.61	Not applicable
22/11/2007	17,000	€121.54	30/06/2010	31/12/2013	9,000	€121.54	67,276	-€107.20	76,276	€14.34	Not applicable
22/11/2007	17,000	€121.54	30/12/2012	31/12/2013	17,000	€121.54	127,077	-€107.20	144,077	€14.34	Not applicable
06/11/2008	8,500	€145.00	30/06/2011	31/12/2014	8,500	€145.00	63,538	-€127.89	72,038	€17.11	Not applicable
06/11/2008	8,500	€145.00	30/12/2013	31/12/2014	8,500	€145.00	63,538	-€127.89	72,038	€17.11	Not applicable
19/05/2009	4,000	€145.00	30/06/2011	31/12/2014	4,000	€145.00	29,900	-€127.89	33,900	€17.11	Not applicable
19/05/2009	4,000	€145.00	30/12/2013	31/12/2014	4,000	€145.00	29,900	-€127.89	33,900	€17.11	Not applicable
Total	**79,100**				**71,100**		**531,479**		**602,579**		
PLAN No. 2 – 2010 stock option plan, maximum issue of 1,990,000 shares - General Meeting 25/11/2010											
25/11/2010	5,000	€145.00	30/06/2012	31/12/2015	5,000	€145.00	37,376	-€127.89	42,376	€17.11	Not applicable
25/11/2010	5,000	€145.00	30/12/2014	31/12/2015	5,000	€145.00	37,376	-€127.89	42,376	€17.11	Not applicable
Total	**10,000**				**10,000**		**74,752**		**84,752**		
TOTAL FOR PLANS	**89,100**				**81,100**		**606,231**		**687,331**		

- No share subscription options were exercised in the first half of 2011.
- No share subscription options were allocated in the first half of 2011. No further allocations may be made under Plan No. 1.
- Changes in the volume and exercise price of share subscription options during the period arose solely from changes in share capital in the first half of 2011 (see section 13.1 above).
- It was not possible to measure the fair value of options, since they were allocated prior to Axway Software's listing on NYSE Euronext.

13.3. Capital reserves

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Share issue, merger and contribution premium	44,331	-	-
Legal reserve	1,587	1,169	1,169
TOTAL	**45,918**	**1,169**	**1,169**

The principal movements in 2011 are as follows:

- appropriation of 2010 profit to the legal reserve: €0.418 million;
- reduction of the share capital by decreasing the nominal value of shares by €2.75 with an equivalent allocation to the share issue premium account: €44.331 million.

13.4. Dividends

It was decided at a General Meeting of Axway Software held on 28 April 2011 to:

- allocate €7.920 million in 2010 profits to the payment of a dividend of €3.98 per share;
- distribute €13.864 million from “Other reserves”, representing an amount of €6.97 per share.

This dividend was paid on that same date.

Note 14 | Financial debt

14.1. Net debt

(in thousands of euros)	Current	Non-current	30/06/2011	30/06/2010	31/12/2010
Bank loans	-	-	-	-	-
Current account with Sopra Group	-	60,000	60,000	63,943	68,432
Employee profit sharing	401	1,963	2,364	2,017	2,021
Other sundry financial liabilities	-	-	-	-	-
Current bank overdrafts	413	-	413	55	105
FINANCIAL DEBT	**814**	**61,963**	**62,777**	**66,015**	**70,558**
Investment securities	-	-	-	-	-
Cash and cash equivalents	-13,723	-	-13,723	-19,848	-22,379
NET DEBT	**-12,909**	**61,963**	**49,054**	**46,167**	**48,179**

Current account

Axway’s financing is entirely provided by Sopra Group in the form of current account advances.

Bank loans

As at 7 June 2011, Axway Software had available a €100 million multi-currency credit facility. This facility, provided by six banks, consists of two tranches.

The facility was taken out with six partner banks in June 2011, and is intended to finance acquisitions as well as meeting the group's general financing requirements.

The first tranche, "Loan A", for an amount of €50 million over five years, is a multi-currency term loan with half-yearly repayments with effect from 15 December 2013. It is intended to finance acquisitions.

The second tranche, "Loan B", for an amount of €50 million over five years, is a multi-currency revolving loan with half-yearly repayments over the last two years of its term. It is intended to meet the group's general financing requirements, including Group investments and acquisitions.

The applicable interest rate is Euribor for the drawdown period in question plus a margin adjusted every six months in line with the leverage ratio (net financial debt to EBITDA), calculated over a rolling 12-month period. The net debt figure used in this calculation does not include the employee profit sharing liability. The margin may vary between 0.85% and 1.70% for drawdowns in euros and between 1.55% and 2.40% for drawdowns in Sterling or US dollars. A non-utilisation fee equivalent to 35% of the margin also applies as necessary.

Three financial ratios must be met under covenants entered into (see Note 34.3).

Employee profit sharing

Profit sharing reserves for Axway Software staff are managed in the form of fixed-interest current accounts frozen over a period of five years. Under the terms of an agreement entered into in 2002, employees can also opt for external investment in multi-company investment funds.

Profit sharing liabilities are subject to adjustment to take into account the existing variance between the contractual interest rate applied, and the applicable regulatory rate ceiling.

14.2. Statement of changes in net debt

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
NET DEBT AT BEGINNING OF PERIOD (A)	**48,179**	**67,123**	**67,123**
Cash from operations after cost of net debt and tax	**5,107**	**1,084**	**29,225**
Cost of net financial debt	780	913	1,715
Income taxes (including deferred tax)	1,082	2,082	-3,046
Cash from operations before changes in working capital	**6,969**	**4,079**	**27,894**
Taxes paid	2,750	3,513	-6,587
Changes in working capital requirements	15,617	14,671	2,517
Net cash flow from operating activities	**25,336**	**22,263**	**23,824**
Change related to investing activity	-2,236	-1,283	-2,874
Net interest paid	-780	-913	-1,715
Available net cash flow	**22,320**	**20,067**	**19,235**
Impact of changes in scope	-	-	-4
Financial investments	-742	135	82
Dividends paid	-21,784	-	-
Capital increases in cash	-	-	-
Application of IAS 32/39	-	-	-
Other changes	-350	-1	-11
TOTAL NET CHANGE DURING THE PERIOD (B)	**-556**	**20,201**	**19,302**
Impact of changes in foreign exchange rates	-319	755	-358
NET DEBT AT 30 JUNE (A-B)	**49,054**	**46,167**	**48,179**

Impact of changes in consolidation scope

Changes in the consolidation scope did not have an impact on net debt in financial year 2010 and the first half of 2011.

Note 15 | Provisions for post-employment benefits

These provisions relate to two non-financed defined benefit plans in France and Italy.

(in thousands of euros)	01/01/2011	Change in scope	Charge for the period	Recovery for the period (provision used)	Recovery for the period (provision not used)	Other movements	Change in actuarial differences	30/06/2011
France	4,429	-	258	-18	-	-	3	4,672
Italy	762	-	58	-29	-	-	-	791
Germany	15	-	-	-	-	-	-	15
TOTAL	**5,206**	**-**	**316**	**-47**	**-**	**-**	**3**	**5,478**
Impact (net of expenses incurred)								
Profit from recurring operations			219		-			
Net financial income			97		-			
TOTAL			**316**		**-**			

In France, the defined benefits scheme relates to the payment of retirement benefits. The Group provides for its commitments to employees in accordance with the provisions of the Syntec collective bargaining agreement with respect to the retirement scheme modified in 2004 pursuant to the retirement reform measures introduced by the *Loi Fillon* of 21 August 2003. Provisions for retirement benefits are recognised in accordance with the conditions in Note 1.16 of the Prospectus.

The main actuarial hypotheses retained for this plan are as follows:

	30/06/2011	30/06/2010	31/12/2010
Benchmark for discounting	Bloomberg rate	Bloomberg rate	Bloomberg rate
Discount rate of commitments	4.20%	3.90%	4.10%
Future salary growth rate	2.50%	2.50%	2.50%
Retirement date	65 years	65 years	65 years
Mortality table	Insee 2004-2006	Insee 2004-2006	Insee 2004-2006

Assumptions referring to mortality rates are based on published statistical data.

Turnover tables are established for each company concerned by five-year age groups and are updated at each balance sheet date to reflect separation data for the last five years.

These commitments are discounted using a discount rate corresponding to the interest rate of prime corporate bonds (carrying a rating of AA or higher) denominated in the payment currency, the maturity period of which is close to the average estimated length of the retirement obligation concerned.

Since 31 December 2009, the Group has used Bloomberg rates for the euro zone as the benchmark for the discounting of its retirement obligations. At 30 June 2011, a discount rate of 4.20% was used by the Group.

A ±1.0 point change in the discount rate would have an impact of about (-)€547k/+€654k on the total commitment.

Change in provision for retirement indemnities (France)

(in thousands of euros)	Present value of the obligation not financed	Unrecognised actuarial differences	Net commitments (balance sheet)	Recognised in the income statement
31 December 2009	**3,418**	**-**	**3,418**	**376**
Past service cost	125	-	125	125
Financial cost	83	-	83	83
Benefits paid to employees	-	-	-	-
Change in actuarial differences	746	-	746	-
30 June 2010	**4,372**	**-**	**4,372**	**208**
Past service cost	125	-	125	250
Financial cost	82	-	82	165
Benefits paid to employees	-	-	-	-
Change in actuarial differences	-150	-	-150	-
31 December 2010	**4,429**	**-**	**4,429**	**415**
Past service cost	161	-	161	161
Financial cost	97	-	97	97
Benefits paid to employees	-18	-	-18	-18
Change in actuarial differences	3	-	3	3
30 JUNE 2011	**4,672**	**-**	**4,672**	**243**

Analysis of the change in recognised actuarial differences

Actuarial differences result solely from the changes in present value of the obligation, in the absence of scheme assets.

These differences include the effects of changes in actuarial assumptions and the effects of the differences between the actuarial assumptions used and actual experience (experience adjustments detailed below).

The actuarial loss recognised in 2010 (€0.6 million) was mainly the result of:

- experience impacts on liabilities (upward adjustment in the commitment amounting to €0.25 million);
- the 0.40 point fall in the discount rate used compared to 31 December 2009 (upward adjustment in liabilities of around €0.22 million);
- updating of five-year workforce attrition rates (upward adjustment in the commitment amounting to €0.13 million).

The actuarial loss recognised for the first half of 2011 (€3 thousand) arises mainly from:

- experience impacts on liabilities (upward adjustment in the commitment amounting to €0.06 million);
- the 0.10 point increase in the discount rate used compared to 31 December 2010 (downward adjustment in the commitment amounting to €0.06 million).

The updating of five-year workforce attrition rates and assumptions as to retirement arrangements have no impact.

Experience adjustments arising on scheme liabilities are presented in the table below:

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Present value of defined benefit obligations	4,672	4,372	4,429
Experience adjustments on scheme liabilities	63	245	249
Experience adjustments on scheme liabilities (as % of obligations)	1.35%	5.60%	5.62%

In Italy, the defined benefits scheme relates to the payment of regulatory termination benefits *(Trattamento di Fine Rapporto).* These payments are calculated as a proportion of the employee's gross annual salary and are linked to the price index issued by the Italian Institute of Statistics (ISTAT).

Note 16 | Non-current provisions

(in thousands of euros)	01/01/2011	Change in scope	Charge for the period	Recovery for the period (provision used)	Recovery for the period (provision not used)	Other movements	30/06/2011
Provisions for disputes	117	-	91	-117	-	-	91
Provisions for guarantees	710	-	-	-	-	-	710
Other provisions for contingencies	76	-	-	-	-	-	76
Sub-total provisions for contingencies	**903**	**-**	**91**	**-117**	**-**	**-**	**877**
Other provisions for losses	252	-	-	-	-	-101	151
Sub-total provisions for losses	**252**	**-**	**-**	**-**	**-**	**-101**	**151**
TOTAL	**1,155**	**-**	**91**	**-117**	**-**	**-101**	**1,028**
Impact (net of expenses incurred)							
Profit from recurring operations			91		-		
Financial items			-		-		
TOTAL			**91**		**-**		

- The accounts of Axway Software GmbH include a €0.71 million warranty provision.
- Provisions for disputes mainly relate to labour arbitration proceedings, severance pay and a few trade disputes.

Note 17 | Other non-current liabilities

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Fixed asset liabilities – portion due in more than one year	-	-	-
Employee profit sharing during the period	-	1,888	1,909
Contingent advances	-	-	-
Derivatives	-	-	-
TOTAL	**-**	**1,888**	**1,909**

Employee profit sharing represents amounts booked to staff costs for the period by Axway Software. These amounts increase financial debt for the following accounting period.

Note 18 | Trade accounts payable

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Trade accounts payable	11,883	9,627	7,460
Trade accounts payable – advances and payments on account, accrued credit notes	-	-	-
TOTAL	**11,883**	**9,627**	**7,460**

Note 19 | Other current liabilities

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Fixed asset liabilities – portion due in less than one year	293	652	521
Staff cost liabilities	19,074	18,528	26,475
Tax liabilities (excluding corporate income tax)	8,209	8,922	8,040
Corporate income tax	690	3,722	540
Deferred income	44,519	42,611	29,243
Other liabilities	255	43	21
Derivatives	-	-	-
TOTAL	**73,040**	**74,478**	**64,840**

Staff cost liabilities include only amounts owed to social security bodies and employees.

Accrued taxes primarily correspond to value added tax collected from clients: the amount payable in respect of the month of June and the VAT collected on trade accounts receivable.

Deferred income comprises primarily the portion of billings issued in advance on fixed-price and maintenance contracts.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 20 | Revenue

20.1. Revenue by activity

(in millions of euros)	1st half 2011		1st half 2010		2010	
Licences	31.9	31.9%	31.6	33.2%	77.9	37.4%
Maintenance	40.7	40.7%	38.6	40.5%	78.6	37.7%
Services	27.4	27.4%	25.1	26.3%	51.9	24.9%
TOTAL REVENUE	**100.0**	**100.0%**	**95.3**	**100.0%**	**208.4**	**100.0%**

20.2. International revenue

(in millions of euros)	1st half 2011		1st half 2010		2010	
France	40.3	40.3%	37.1	38.9%	80.0	38.4%
International	59.7	59.7%	58.2	61.1%	128.4	61.6%
TOTAL REVENUE	**100.0**	**100.0%**	**95.3**	**100.0%**	**208.4**	**100.0%**

Note 21 | Purchases consumed

(in thousands of euros)	1st half 2011	1st half 2010	2010
Purchases of subcontracting services	6,103	4,581	10,998
Purchases of equipment and supplies not held in inventory	424	320	607
Purchases of merchandise and change in the inventory of merchandise	745	886	1,926
TOTAL	**7,272**	**5,787**	**13,531**

Note 22 | Staff costs

22.1. Analysis

(in thousands of euros)	1st half 2011	1st half 2010	2010
Salaries	49,686	48,504	102,224
Social charges	14,077	13,496	26,575
Employee profit sharing	-	1,888	2,079
TOTAL	**63,763**	**63,888**	**130,878**

22.2. Workforce

Workforce at period-end	1st half 2011	1st half 2010	2010
France	620	607	597
International	1,100	1,030	1,064
TOTAL	**1,720**	**1,637**	**1,661**

Average workforce	1st half 2011	1st half 2010	2010
France	610	604	603
International	1,080	1,024	1,037
TOTAL	**1,690**	**1,628**	**1,640**

22.3. Employee profit sharing and incentive schemes

Pursuant to the application of IAS 32 and 39, liabilities in respect of profit sharing were subject to a restatement described in Notes 14.1 and 1.19 of the Prospectus.

Employee profit sharing relates to Axway Software. The amount in question was €1.75 million in 2010; it was nil at the end of the first half of 2011.

In 2009, an incentive agreement was concluded by Sopra Group for a term of three years. The agreement includes Axway Software.

Note 23 | External expenses

(in thousands of euros)	1st half 2011		1st half 2010		2010	
Leases and charges	4,633	24.3%	4,745	26.8%	9,583	27.4%
Maintenance and repairs	711	3.7%	567	3.2%	1,227	3.5%
External structure personnel	220	1.2%	168	0.9%	371	1.1%
Remuneration of intermediaries and fees	1,386	7.3%	1,421	8.0%	2,235	6.4%
Advertising and public relations	1,999	10.5%	1,777	10.0%	3,134	9.0%
Travel and entertainment	5,564	29.2%	5,050	28.5%	9,850	28.2%
Telecommunications	1,604	8.4%	1,307	7.4%	2,920	8.4%
Sundry	2,959	15.5%	2,657	15.0%	5,628	16.1%
TOTAL	**19,076**	**100%**	**17,692**	**100%**	**34,948**	**100%**

Note 24 | Depreciation, amortisation and provisions

(in thousands of euros)	1st half 2011	1st half 2010	2010
Amortisation of intangible assets	130	164	298
Depreciation of property and equipment	755	502	1,156
Depreciation and amortisation	**885**	**666**	**1,454**
Impairment of current assets net of unused reversals	-79	97	-48
Provisions for contingencies and losses net of unused reversals	310	197	321
Provisions and impairment	**231**	**294**	**273**
TOTAL	**1,116**	**960**	**1,727**

Note 25 | Amortisation of allocated intangible assets

This item corresponds to amortisation charges in respect of intangible assets acquired as part of company acquisitions, and totalled €0.9 million for the first half of 2011 (mainly consisting of Tumbleweed’s intangible assets).

Note 26 | Other operating income and expenses

This item included non-recurring expenses arising from the project to spin off the company from Sopra Group. This amount consisted mainly of external consultancy fees and project-specific costs. The amount recognised in 2010 was €3.6 million; the equivalent amount in the first half of 2011 was €3.4 million.

Note 27 | Financial income and expense

27.1. Cost of net financial debt

(in thousands of euros)	**1st half 2011**	**1st half 2010**	**2010**
Income from cash and cash equivalents	3	-	10
Interest charges	-784	-913	-1,725
TOTAL	**-781**	**-913**	**-1,715**

Interest charges mainly include the interest charge recognised for Axway Software in respect of the liability relating to the Sopra Group current account.

27.2. Foreign exchange gains and losses

Foreign exchange gains and losses mainly relate to commercial transactions denominated in foreign currencies. Foreign exchange gains and losses relating to inter-company loans are considered as an integral part of the Group's net investment in the foreign subsidiaries concerned and are recognised as a distinct component of equity under *Translation reserves* in application of IAS 21.

(in thousands of euros)	**1st half 2011**	**1st half 2010**	**2010**
Foreign exchange gains	145	446	1,299
Foreign exchange losses	-1,220	-45	-1,459
TOTAL	**-1,075**	**401**	**-160**

27.3. Other financial charges and expense

(in thousands of euros)	**1st half 2011**	**1st half 2010**	**2010**
Reversals of provisions	-	-	-
Proceeds on the disposal of financial assets sold	-	-	-
Other financial income	26	29	59
Total other financial income	**26**	**29**	**59**
Charges of provisions	-	-	-14
Discounting of retirement commitments	-96	-82	-182
Discounting of employee profit sharing	17	22	35
Discounting of earnouts on companies acquired	-	-	-
Change in the value of derivatives	-	-	-
Net carrying amounts of financial assets sold	-	-	-
Other financial expense	-9	-27	-31
Total other financial expense	**-88**	**-87**	**-192**
TOTAL OTHER FINANCIAL INCOME AND EXPENSE	**-62**	**-58**	**-133**

Discounting of retirement commitments: see Note 15.

Discounting of employee profit sharing: see Note 14.1.

Note 28 | Tax expense

28.1. Analysis

(in thousands of euros)	1st half 2011	1st half 2010	2010
Current tax	856	2,588	4,227
Deferred tax	226	-506	-7,273
TOTAL	**1,082**	**2,082**	**-3,046**

28.2. Reconciliation between the theoretical and effective tax charge

(in thousands of euros)	1st half 2011	1st half 2010	2010
Net profit	2,931	2,649	26,596
Tax charge	-1,081	-2,082	3,046
Impairment of goodwill	-	-	-
Profit before tax	4,012	4,731	23,550
Theoretical tax rate	**34.43%**	**34.43%**	**34.43%**
Theoretical tax charge	**-1,381**	**-1,629**	**-8,108**
Reconciliation			
Permanent differences	-439	-812	731
Impact of non-activated losses for the year	-998	-531	31
Use of non-activated losses carried forward	1,058	427	4,367
Impact of research tax credits	792	603	1,711
CVAE reclassification (net of tax)	-351	-311	-685
Activation of prior period losses carried forward	-	-	4,153
Tax rate differences – France/Other countries	249	142	551
Prior year tax adjustments	18	-	-
Other	-30	29	295
Actual tax charge	**-1,082**	**-2,082**	**3,046**
Effective tax rate	**26.97%**	**44.01%**	**-12.93%**

Note 29 | Earnings per share

(in euros)	1st half 2011	1st half 2010	2010
Net profit – Group share	2,930,892	2,648,450	26,595,368
Weighted average number of ordinary shares in issue	15,990,572	1,990,000	1,990,000
BASIC NET EARNINGS PER SHARE	**0.18**	**1.33**	**13.36**

(in euros)	1st half 2011	1st half 2010	2010
Net profit – Group share	2,930,892	2,648,450	26,595,368
Weighted average number of ordinary shares in issue	15,990,572	1,990,000	1,990,000
Weighted average number of securities retained in respect of dilutive items	286,413	-	-
Weighted average number of shares retained for the calculation of diluted net earnings per share	16,276,985	1,990,000	1,990,000
DILUTED NET EARNINGS PER SHARE	**0.18**	**1.33**	**13.36**

OTHER INFORMATION

Note 30 | Segment information

(in thousands of euros)	1st half 2011		1st half 2010		2010	
Europe	63,422	63.4%	61,521	64.5%	131,877	63.3%
Americas	34,039	34.0%	32,048	33.6%	72,402	34.7%
Asia Pacific	2,557	2.6%	1,742	1.8%	4,142	2.0%
TOTAL REVENUE	**100,018**	**100%**	**95,311**	**100%**	**208,421**	**100%**

Note 31 | Derivatives reported in the balance sheet

a. At 30 June 2011

	30/06/2011		Breakdown by class of derivative instrument					
(in thousands of euros)	Balance sheet value	Fair value	Assets and liabilities at fair value through profit and loss	Available for sale assets	Loans, receivables and other liabilities	Financial debt at amortised cost	At fair value through profit or loss	At fair value through equity
Financial assets	1,360	1,360	-	-	1,360	-	-	-
Trade accounts receivable	57,636	57,636	-	-	57,636	-	-	-
Other current receivables	12,064	12,064	-	-	12,064	-	-	-
Cash and cash equivalents	13,723	13,723	13,723	-	-	-	-	-
FINANCIAL ASSETS	**84,783**	**84,783**	**13,723**	**-**	**71,060**	**-**	**-**	**-**
Financial debt – long-term portion	1,963	1,963	1,963	-	-		-	-
Current account with Sopra Group SA	60,000	60,000	-	-	60,000	-	-	-
Other non-current liabilities	-	-	-	-	-	-	-	-
Financial debt – short-term portion	814	814	814	-	-	-	-	-
Trade payables	11,883	11,883	-	-	11,883	-	-	-
Other current liabilities	73,040	73,040	-	-	73,040	-	-	-
FINANCIAL LIABILITIES	**147,700**	**147,700**	**2,777**	**-**	**144,923**	**-**	**-**	**-**

The fair value of trade accounts receivable, other current receivables, trade payables and other current liabilities is the same as the balance sheet value, owing to their very short settlement times.

b. At 31 December 2010

	31/12/2010		Breakdown by class of derivative instrument					
(in thousands of euros)	Balance sheet value	Fair value	Assets and liabilities at fair value through profit and loss	Available for sale assets	Loans, receivables and other liabilities	Financial debt at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through equity
Financial assets	650	650	-	-	650	-	-	-
Trade accounts receivable	65,765	65,765	-	-	65,765	-	-	-
Other current receivables	11,171	11,171	-	-	11,171	-	-	-
Cash and cash equivalents	22,379	22,379	22,379	-	-	-	-	-
FINANCIAL ASSETS	**99,965**	**99,965**	**22,379**	**-**	**77,586**	**-**	**-**	**-**
Financial debt – long-term portion	1,774	1,774	1,774	-	-	-	-	-
Current account with Sopra Group SA	68,432	68,432	-	-	68,432	-	-	-
Other non-current liabilities	1,909	1,909	1,909	-	-	-	-	-
Financial debt – short-term portion	352	352	352	-	-	-	-	-
Trade payables	7,460	7,460	-	-	7,460	-	-	-
Other current liabilities	64,840	64,840	-	-	64,840	-	-	-
FINANCIAL LIABILITIES	**144,767**	**144,767**	**4,035**	**-**	**140,732**	**-**	**-**	**-**

Note 32 | Risk factors

32.1. Credit risk

a. Ageing balance of trade accounts receivable

				Of which: not impaired at the balance sheet date but past due, with the following breakdown					
(in thousands of euros)	Carrying value	Of which impaired	Of which: neither impaired nor past due at the balance sheet date	Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Receivables (including doubtful debtors)	48,573	451	33,320	4,008	3,258	2,203	3,340	1,254	739

b. Statement of changes in provisions for doubtful receivables

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Provisions for trade accounts receivable at 1 January	**555**	**701**	**701**
Charges		253	16
Reversals	-89	-190	-196
Changes in scope	-	-	-
Translation adjustments	-15	24	34
PROVISIONS FOR TRADE ACCOUNTS RECEIVABLE AT END OF PERIOD	**451**	**788**	**555**

32.2. Liquidity risk

According to the definition given by the *Autorité des marchés financiers,* liquidity risk arises when assets are longer term than liabilities. This can result in an inability to repay short-term debt if the company is unable to sell the asset in question or obtain bank credit lines.

There was no liquidity risk at 30 June 2011, Axway's business being supported by Sopra Group.

The following table shows the non-discounted contractual cash flows of consolidated net debt at 30 June 2011:

(in thousands of euros)	Carrying value	Total contractual flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Bank loans	-	-	-	-	-	-	-	-
Current account with Sopra Group (1)	60,000	60,000	-	-	-	-	-	60,000
Finance lease liabilities	-	-	-	-	-	-	-	-
Employee profit sharing	2,364	1,924	295	347	400	344	538	-
Other sundry financial liabilities	-	-	-	-	-	-	-	-
Current bank overdrafts	413	413	413	-	-	-	-	-
Loans and financial liabilities	**62,777**	**62,337**	**708**	**347**	**400**	**344**	**538**	**60,000**
Investment securities	-	-	-	-	-	-	-	-
Cash and cash equivalents	-13,723	-13,723	-13,723	-	-	-	-	-
CONSOLIDATED NET DEBT	**49,054**	**48,614**	**-13,015**	**347**	**400**	**344**	**538**	**60,000**

(1) The Current account was reimbursed on completion of the capital increase which took place on 19 July 2011.

32.3. Market risk

a. Foreign exchange risk

Foreign exchange risk arises mainly from currency translation of financial statements for US- or Swedish-based companies. No specific hedge has been arranged for this type of risk.

The exposure to risk arising from trade transactions is limited, since each of the entities involved mainly carries out business in its own country and its own currency.

Furthermore, as part of its intra-group transactions, the Group is exposed to the risk of currency fluctuations in respect of:

- the invoicing of services provided from a centre located in Romania. The impact of these currency fluctuations on profit or loss is in principle negligible in view of the regularity of settlements;
- the invoicing of licence fees by the Group to subsidiaries operating in a functional currency other than the euro. The impact of these currency fluctuations on profit or loss is not significant;

- borrowings and loans in foreign currencies related to intra-group financings. The impact of these currency fluctuations is taken to equity. These money flows are not systematically hedged. However, the Group contracts specific hedges for all large individual foreign currency transactions.

At 30 June 2011, the net carrying amount of assets and liabilities recognised by Group entities in a currency other than their functional currency was as follows:

Inter-company commercial transactions

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	Total
Assets	5,522	1,198	737	483	299	368	8,607
Liabilities	4,496	199	237	161	151	286	5,530
Foreign currency commitments	-	-	-	-	-	-	-
Net position before hedging	**1,026**	**999**	**500**	**322**	**148**	**82**	**3,077**
Hedging instruments	-	-	-	-	-	-	-
NET POSITION AFTER HEDGING	**1,026**	**999**	**500**	**322**	**148**	**82**	**3,077**

Sensitivity analysis

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	Total
Currency change assumption (appreciation)	5%	5%	5%	5%	5%	5%	-
IMPACT ON NET PROFIT	**51**	**50**	**25**	**16**	**7**	**4**	**153**
IMPACT ON EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Current accounts

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	Total
Assets	3,768	-	1,950	-	1,078	-	6,796
Liabilities	-	1,719	403	1,003	-	1,261	4,386
Foreign currency commitments	-	-	-	-	-	-	-
Net position before hedging	**3,768**	**-1,719**	**1,547**	**-1,003**	**1,078**	**-1,261**	**2,410**
Hedging instruments	-	-	-	-	-	-	-
NET POSITION AFTER HEDGING	**3,768**	**-1,719**	**1,547**	**-1,003**	**1,078**	**-1,261**	**2,410**

Sensitivity analysis

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	Total
Currency change assumption (appreciation)	5%	5%	5%	5%	5%	5%	
IMPACT ON NET PROFIT	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IMPACT ON EQUITY	**188**	**-86**	**77**	**-50**	**54**	**-63**	**120**

NB: In the income statement, this expense would impact financial items.

b. Equity risk

At 30 June 2011, Axway Software held 16,588 of its own shares, acquired under the terms of its buyback programmes authorised at General Meetings, for a total amount of €0.36 million, at an average price of €21.49 per share.

All transactions in treasury shares are taken directly to shareholders' equity. The impact at 30 June 2011 is a deduction of €0.37 million (see *Statement of changes in consolidated shareholders' equity*).

Note 33 | Related party transactions

33.1. Transactions with the parent company and companies affiliated with the parent company

The following table details transactions between the Axway group and:

- Sopra Group SA (parent company of Sopra Group) on the one hand; and
- other companies in Sopra Group.

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Transactions with the parent company			
Sales of goods and services	508	2,181	2,970
Purchases of goods and services	-6,923	-5,412	-11,179
Operating receivables	667	2,366	330
Operating payables	-4,947	-3,258	-2,616
Financial expense	-678	-794	-1,503
Financial liabilities (current account)	-60,000	-63,943	-68,432
Transactions with companies affiliated with the parent company			
Sales of goods and services	20	68	67
Purchases of goods and services	-1,572	-1,232	-2,727
Operating receivables	127	154	96
Operating payables	-759	-1,099	-725
Financial expense	-	-	-
Financial liabilities (current account)	-	-	-

33.2. Subsidiaries and associated entities

Transactions and balances between Axway Software and its subsidiaries are eliminated in full on consolidation, since all these subsidiaries are fully consolidated.

Note 34 | Off balance sheet commitments and contingent liabilities

34.1. Collateral, guarantees and surety

No such assets were pledged in this manner.

34.2. Real collateral given in guarantee

Under the terms of the loan agreement signed on 7 June 2011, Axway Software granted collateral to the agent and the lenders in respect of the loans granted to it, as set out in a deed of mortgage on the business's assets.

34.3. Covenants

Since 7 June 2011, Axway Software has had at its disposal a €100 million multi-currency credit facility. This facility, provided by six banks, consists of two tranches.

In putting in place the multi-currency credit facility on 7 June 2011, Axway Software gave an undertaking to comply with the following covenants:

- a ratio of net debt to EBITDA of less than 3.0 from 30 June 2011 to 30 June 2013 and less than 2.5 with effect from 31 December 2013. At 30 June 2011, this ratio stood at 1.56;
- a ratio of EBITDA to financial expenses of greater than 5.0 throughout the term of the loan. At 30 June 2011, this ratio stood at 18.93;
- a ratio of net debt to equity of less than 1.0 throughout the term of the loan. At 30 June 2011, this ratio was 0.39.

It should be recalled that net financial debt included in these calculations does not take into account employee profit sharing.

34.4. Contractual obligations

Contractual obligations *(in thousands of euros)*	Payments due per period					
	Less than one year	One to five years	More than five years	30/06/2011	30/06/2010	31/12/2010
Long-term liabilities	-	-	-	-	-	-
Current account with Sopra Group [(1)]	-	-	60,000	60,000	63,943	68,432
Finance lease obligations	-	-	-	-	-	-
Employee profit sharing	401	1,963	-	2,364	2,017	2,021
Other sundry financial liabilities	-	-	-	-	-	-
Current bank overdrafts	413	-	-	413	55	105
TOTAL OBLIGATIONS RECOGNISED	**814**	**1,963**	**60,000**	**62,777**	**66,015**	**70,558**

(1) The Current account was reimbursed on completion of the capital increase which took place on 19 July 2011.

Other commercial commitments *(in thousands of euros)*	Amount of commitments per period					
	Less than one year	One to five years	More than five years	30/06/2011	30/06/2010	31/12/2010
Credit lines	-	-	-	-	-	-
Letters of credit	-	-	-	-	-	-
Guarantees	-	187	-	187	187	187
Purchase obligations	-	-	-	-	-	-
Other commercial commitments	-	-	-	-	-	-
TOTAL OBLIGATIONS NOT RECOGNISED	**-**	**187**	**-**	**187**	**187**	**187**

34.5. Commitments given related to recurring operations

(in thousands of euros)	30/06/2011	30/06/2010	31/12/2010
Discounted bills not yet due	-	-	-
Bank guarantees/deposits on leased premises	187	187	187
Bank guarantees for effective project completion	-	-	-
Collateral, mortgages and sureties	-	-	-
Foreign exchange rate hedging instruments	-	-	-

34.6. Contingent liabilities

There are no contingent liabilities to be recognised.

Note 35 | Exceptional events and legal disputes

As of this writing, the Group is involved in a commercial dispute with a US Government agency (General Services Administration/GSA) in which it is accused of failing to honour agreed prices for the supply of licences. No specific amount has been claimed at this stage by the GSA and the Group is currently exploring possible ways to reach an out-of-court settlement of this dispute.

Due to the uncertainty as to the outcome of this claim, the Group is not able, as of the date of this report and given the elements currently in its possession, to estimate the total amounts that might be requested and found to be payable by the Group should the matter be brought before the court.

To the Group's knowledge, and subject to the contents of this report, there were no known or current disputes or legal proceedings as at the date of this interim report liable to have a significant adverse effect on the Group's financial position.

Note 36 | Post balance sheet events

Following on from the spin-off of the Axway Software business from Sopra Group to form a financially independent group, Axway Software launched a capital increase on 23 June with preferential subscription rights for existing shareholders. This transaction resulted in a €61.9 million increase in the company's share capital on 19 July 2011, carried out by issuing 4,030,128 new shares at a price of €15.35 each. With effect from that date, Axway's share capital has consisted of 20,150,641 shares with a par value of €2 each, giving a total amount of €40,301,282.

The company's current account with Sopra Group, the balance on which stood at €60 million, was repaid in full on that same date.

Note 37 | Rates of conversion of foreign currencies

	Average rate for the period			Period-end rate		
€1/currency	1st half 2011	1st half 2010	2010	30/06/2011	30/06/2010	31/12/2010
Swiss franc	1.2696	1.4359	1.3795	1.2071	1.3283	1.2504
Pound sterling	0.8677	0.8694	0.8576	0.9025	0.8175	0.8608
Swedish krona	8.9366	9.7905	9.5374	9.1743	9.5256	8.9654
Romanian leu	4.1789	4.1487	4.2093	4.2436	4.3701	4.2620
Bulgarian lev	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Moroccan dirham	11.3109	11.1396	11.1495	11.3572	10.9963	11.1744
US dollar	1.4019	1.3247	1.3243	1.4453	1.2271	1.3362
Canadian dollar	1.3698	1.3695	1.3640	1.3951	1.2890	1.3322
Australian dollar	1.3578	1.4842	1.4415	1.3485	1.4403	1.3136
Hong Kong dollar	10.9111	10.2955	10.2891	11.2473	9.5547	10.3853
Singapore dollar	1.7649	1.8502	1.8040	1.7761	1.7160	1.7136
Yuan (China)	9.1709	9.0424	8.9646	9.3414	8.3215	8.8222
Rupee (India)	63.0915	60.6428	60.5327	64.5578	56.9801	59.7729
Ringitt (Malaysia)	4.2521	4.3737	4.2589	4.3626	3.9730	4.0950
Korean won	1,538.4615	1,538.4615	1,538.4615	1,538.4615	1,492.5373	1,492.5373

2

BUSINESS REVIEW FOR THE PERIOD ENDED 30 JUNE 2011

INCOME STATEMENT BY FUNCTION

The combined income statement in section 1 is presented in accordance with the "income statement by nature" model generally utilised. Below is Axway's presentation of the "income statement by function", which allows for additional information on our business and is a model comparable to other packaged software vendors.

(in thousands of euros)	**1st half 2011**	**1st half 2010**	**2010**
Revenue			
Licences	31,926	31,590	77,948
Maintenance	40,699	38,623	78,578
Total Product Revenue	72,625	70,213	156,526
Services	27,393	25,098	51,895
TOTAL REVENUE:	**100,018**	**95,311**	**208,421**
Costs of sales			
Product Revenue	9,256	10,824	22,076
Services	23,897	22,572	46,354
TOTAL COSTS OF SALES	**33,153**	**33,396**	**68,430**
Gross profit	**66,865**	**61,915**	**139,991**
Operating expenses			
Sales and marketing	30,416	27,455	57,923
Research and development	16,409	17,348	32,662
General and administrative	9,762	8,960	18,321
TOTAL OPERATING EXPENSES	**56,587**	**53,763**	**108,906**
Operating profit on business activity	**10,278**	**8,152**	**31,085**
as a % of revenue	*10.3%*	*8.6%*	*14.9%*
Stock option related expenses	-	-	-
Amortisation of acquired intangible assets	(922)	(972)	(1,944)
Profit from recurring operations	**9,356**	**7,180**	**29,141**
as a % of revenue	*9.4%*	*7.5%*	*14.0%*
Other income and expenses	(3,425)	(1,880)	(3,583)
Operating profit	**5,931**	**5,300**	**25,558**
Income from cash equivalents			-
Cost of gross financial debt	(1,918)	(570)	(2,008)
Cost of net financial debt	(1,918)	(570)	(2,008)
Other financial revenues and expenses			
Income taxes	(1,082)	(2,082)	3,046
NET PROFIT	**2,931**	**2,648**	**26,596**

GENERAL ENVIRONMENT

Overall the market for our software continues to show recovery from the economic downturn and we have seen a return of some enterprise project spending. The market in North America, especially in the United States, continues to grow, and currently at a pace faster than Europe. The European environment is showing signs of recovery, but continues to experience challenges in certain countries, as these markets continue to fiscally struggle. We have seen growth within our core French market in Europe, but were challenged in other regions such as Germany and UK to close business deals. However, these challenges appear to be in timing of contract signing and not in cancellation of the projects or purchase and we expect to close these transactions in the second half of 2011.

SIGNIFICANT EVENTS AND FIRST-HALF BUSINESS PERFORMANCE

1. *Significant events*

Axway had several significant events during the first six months of 2011, which included the following:

- Axway officially separated from its parent company, Sopra Group, at their 8 June 2011 Shareholders' Meeting. Sopra Group retained a 26.27% stake in Axway;
- Axway shares began trading on 14 June 2011 on the NYSE Euronext Paris market under the symbol AXW.PA;
- In connection with the separation and listing of Axway, the company modified its equity structure prior to the separation, which included distribution of €21.8 million in dividends to Sopra Group;
- Axway has put in place a medium term line credit line with a group of six banks totalling €100 million;
- In July 2011, Axway raised an additional €61.9 million capital through a preferential subscription rights offering, which was launched in June 2011. This capital increase was used to fully pay off the current account with Sopra Group.

2. First-half 2011 business performance

Axway reported solid organic growth of 6.5% for the period ending 30 June 2011 with consolidated revenue of €100 million. This growth was generated by all lines of business (licences, maintenance, services). During the period, Axway also had considerable margin improvement over the same period in 2010.

	30/06/2011		30/06/2010	
	(in €M)	**(% of revenue)**	**(in €M)**	**(% of revenue)**
Key income statement items				
Revenue	100.0		95.3	
Organic growth	*6.5%*		*13.7%*	
Operating profit on business activity	10.3	10.3%	8.2	8.6%
Profit from recurring operations	9.4	9.4%	7.2	7.5%
Other income and expenses	-3.4		-1.9	
Net financial costs and currency impact	-2.0		-0.5	
Tax expense	-1.1		-2.1	
Net profit	2.9	2.9%	2.6	2.8%
	(in €)		**(in €)**	
Net earnings per share				
Basic net earnings per share	0.18		0.17 (1)	

(1) Calculation based on the weighted average ordinary shares as of 30 June 2011 for pro forma comparison between periods. For 30 June 2010 detail see Note 29 to the financial statements.

Revenues in the first-half of 2011

(in millions of euros)	2011	2010 published	2010 pro forma	Total growth	Organic growth (1)
Licences	31.9	31.6	31.1	1.1%	2.7%
Maintenance	40.7	38.6	38.0	5.4%	7.2%
Services	27.4	25.1	24.9	9.1%	10.2%
	100.0	**95.3**	**93.9**	**4.9%**	**6.5%**

(1) At constant exchange rates and group structure.

Axway posted first half 2011 consolidated revenue of €100.0 million, representing organic growth of 6.5% and total growth of 4.9% over the same period in 2010. License revenue grew organically 2.7% for the first half of 2011 over an exceptionally strong first half of 2010, which experienced a 37% growth over 2009. For the first half of 2011 we continue to see a return to growth in our French and North American licence sales. Our maintenance revenues for the first half of 2011 grew organically 7.2% to €40.7 million, in line with our expectations. For the first half of 2011, our services revenue grew organically 10.2% over 2010. We are experiencing strong growth in our North American services sector primarily around our managed services offerings.

(in millions of euros)	2011	2010 published	2010 pro forma	Total growth	Organic growth [1]
Europe	63.4	61.5	62.7	3.1%	1.2%
Americas	34.0	32.0	29.5	6.2%	15.7%
Asia/Pacific	2.6	1.7	1.8	46.8%	42.4%
	100.0	**95.3**	**93.9**	**4.9%**	**6.5%**

(1) At constant exchange rates and group structure.

For the first half of 2011, Axway saw improvement in all three of its regions. Our organic growth of 1.2% in Europe was driven by strong increase of 8.8% in France offset by some weakness in other European countries as we have seen a general slowdown in purchasing patterns in certain other European countries. Our Americas market grew 15.7% organically in the first half of 2011, driven by a combination of strong growth in licence revenue and service revenue. We continue to see a strong demand in this marketplace for our product.

Operating results in the first-half of 2011

	30/06/2011		30/06/2010	
	(in M€)	(% of revenue)	(in M€)	(% of revenue)
Revenue	**100.0**		**95.3**	
Cost of revenue	33.1	33.1%	33.4	35.0%
Gross profit	**66.9**	**66.9%**	**61.9**	**65.0%**
Operating expenses				
Sales and marketing	30.4	30.4%	27.5	28.8%
Research and development	16.4	16.4%	17.3	18.2%
General and administrative	9.8	9.8%	9.0	9.4%
Total operating expenses	**56.6**	**56.6%**	**53.8**	**56.4%**
Operating profit on business activitiy	**10.3**	**10.3%**	**8.2**	**8.6%**

For the first half of 2011, Axway continued to have margin improvement. Our gross profit improved to 66.9%, from 65.0% for the prior year due to increases in margin on both product revenue due to decreases in third party OEM costs in our products sold and improvement our services margin. For the first half of 2011, sales and marketing costs increased slightly due to increased investment in our distribution channels which includes launching an inside sales and partner strategy on a global basis. Research and development costs decreased slightly due to improvement in utilisation of investment credits available and the impact of exchange rates conversion for the first half of 2011 as compared to 2010. General and administrative expense remained relatively constant with some additional investment in structure needed to support Axway's growth. Total operating expenses remained basically flat as a percentage of revenue. Operating profit on business activitiy for the first half of 2011 improved to 10.3% from 8.6% in the first half of 2010.

The financial results for the first half of 2011 and 2010 do not include any impact from acquisitions.

The Group's financial position

At 30 June 2011, Axway's financial position is solid, with €13.7 million in cash and cash equivalents. Equity amounted to €118.4 million which includes distribution of €21.8 million in dividends to Sopra Group. The currency translation differential generated a significant decrease of €10.5 million in equity for the first half of 2011.

At 30 June 2011, Axway had debt totalling €60 million with Sopra Group. Subsequent to period end, as part of the announced operations, Axway raised an additional €61.9 million through a capital increase. This was used to fully pay off the current account with Sopra Group. Post-capital increase and payoff of the current account with Sopra Group, Axway has no debt outstanding, other than financial debt related to employee profit share arrangements.

During the first half of 2011, Axway also strengthened its financial position by putting in place a €100 million medium term credit line with a group of six banks. This medium term credit line will give greater scope for acquisitions. As of this writing, no borrowings against this credit line have occurred.

PRINCIPAL RISK FACTORS

The nature and level of risks to which Axway is currently exposed are still those presented in the Prospectus filed with the AMF on 29 April 2011 where they are described in Chapter 4. Risk factors are still current and have not been affected in the first half of 2011.

PRINCIPAL RELATED PARTY TRANSACTIONS

During the first half of 2011, Axway had certain transactions with Sopra Group. The transactions with Sopra Group, as quantified in Note 33 to the Financial report, include support in certain functions such as finance, legal, logistics, human resources and information systems for which there are agreements in place. Axway and Sopra Group also prepare joint bids in response to some tender offers, on a case-by-case basis.

Axway continues to use the premises made available to it by Sopra Group in Annecy and Puteaux, France and Sopra Group continues to guarantee the lease payments of Axway's subsidiary Axway Inc. For Axway's operations in India, Axway continues to utilise the material and human resources made available by Sopra Group and its Indian subsidiary, Sopra India Private Limited.

As of June 30 2011, Axway maintained a current account advance of €60.0 million with Sopra Group, which, as mentioned previously, was paid off in July 2011 following the capital increase.

Under an assistance framework agreement entered into 1 July 2011, Sopra GMT will provide various services to Axway Software including coordination between Sopra Group and Axway, strategic planning and consultancy, particularly in the areas of finance and internal control.

UPDATES TO FORECASTS AND OBJECTIVES

As of this writing, there are no other known events considered likely to have a significant impact on the Axway's financial position.

For 2011, Axway confirms its forecast for organic growth as well as slight operating margin improvements.

3

STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I declare that, to the best of my knowledge, the accounts presented in the interim financial report 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 that the business review includes a fair review of the events that occurred in the first six months of the financial year and their impact on the interim financial statements, the main transactions between related parties and the main risks and uncertainties for the remaining six months of the financial year.

Paris, 31 August 2011

Christophe Fabre

Chief Executive Officer

4

STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the interim financial statements issued in the French language and is provided solely for the convenience of English speaking readers. The report must be read in conjunction and construed in accordance with French law and French auditing professional standards.

To the shareholders,

In accordance with our appointment as Statutory Auditors by the Shareholder's Meetings, and in application of article L.451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we have performed:

- a limited review of the accompanying interim condensed consolidated financial statements of Axway Software for the period from January 1st to June 30th 2011;
- verification on the information provided in the half-yearly management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors. Our responsibility is to express our conclusion on these financial statements, based on our limited review.

We draw your attention to the fact that since, as of June 30th 2011, this is the first time that Axway Software issues condensed interim consolidated financial statements, the information for the period beginning January 1st, 2010 and ended June 30, 2010, which is presented for comparison purposes has not been subjected to a limited review.

I. Conclusion on the financial statements

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

A limited review mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope that those required for an audit performed in accordance with French auditing standards. Accordingly, a limited review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our limited review, we did not identify any material misstatements that would cause us to believe that the interim condensed consolidated financial statements did not comply with IAS 34, the IFRS standard relating to interim financial reporting adopted by the European Union.

Without qualifying the above conclusion, we draw your attention to note 1.2.a to the interim financial statements which describes the effect of new standards applicable starting January 1st, 2011.

II. Specific verification

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

We have nothing to report with respect to the fairness of such information and its consistency with the interim condensed consolidated financial statements.

Paris and Courbevoie, August 31st, 2011

The Statutory Auditors

Auditeurs & Conseils Associes
François Mahé

Mazars
Christine Dubus

axway
business. in motion.

AXWAY
France
26, Rue des Pavillons
92807 Puteaux Cedex
France
P: +33 (0) 1.47.17.24.24
F: +33 (0) 1.47.17.22.23

USA
6811 E. Mayo Boulevard, Suite 400
Phœnix, Arizona 85054
P: +1.480.627.1800
F: +1.480.627.1801

www.axway.com

Labrador +33 (0)1 53 06 30 80