

Axway H1 2012 Results

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02 August 2012



Forward looking statements

- This document contains forecasts in respect of which there are risks and uncertainties concerning the company's future growth and profitability. The company highlights the fact that the signature of licence contracts, which often represent investments for clients, are more significant in the second half of the year and may therefore lead to a more or less favourable full-year performance.
- The outcome of events or actual results may differ from those described in this document as a result of a number of risks and uncertainties set out in the Registration Document submitted to the *Autorité des Marchés Financiers* (AMF) on 27 April 2012, number R12-017.
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Financial Results and Analysis

- Axway's market and achievements in the first half
- Strategy and projects
- Q&A

Revenue breakdown **by region** – H1

H1

€M	2012	2011 published	2011 pro forma	Total growth	Organic growth ¹
Europe	57.7	63.4	64.1	-9.1%	-10.1%
Americas	38.0	34.0	36.0	11.8%	5.8%
Asia Pacific	2.7	2.6	2.9	4.2%	-7.5%
	98.4	100.0	103.0	-1.6%	-4.5%

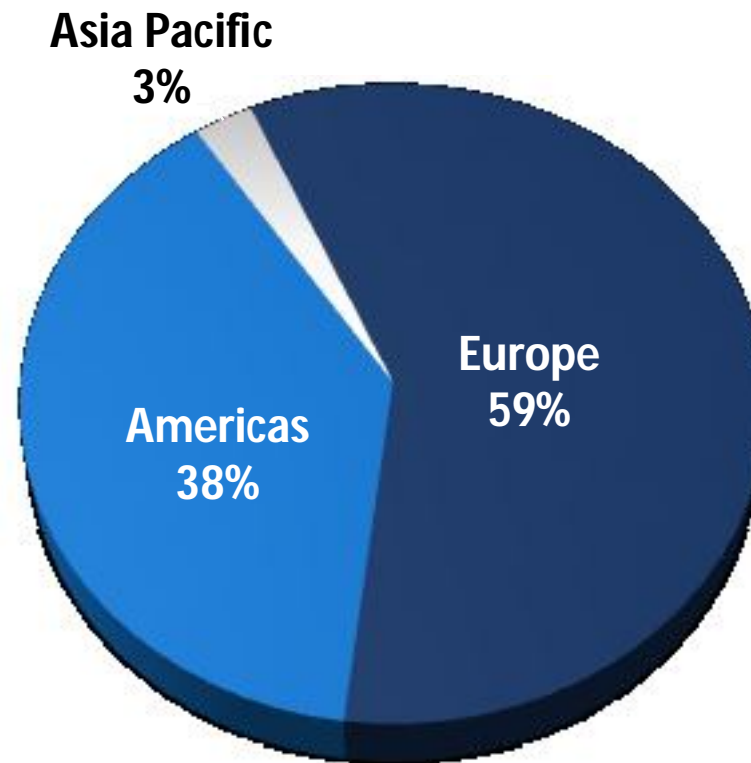
Q1/Q2 growth

	Q1 organic growth ¹	Q2 organic growth ¹
Europe	-3.2%	-16.0%
Americas	-6.2%	17.0%
Asia Pacific	-4.4%	-10.1%

(1) at constant exchange rates and on a like-for-like basis

Revenue breakdown - H1 2012

By region



Revenue breakdown by business activity – H1

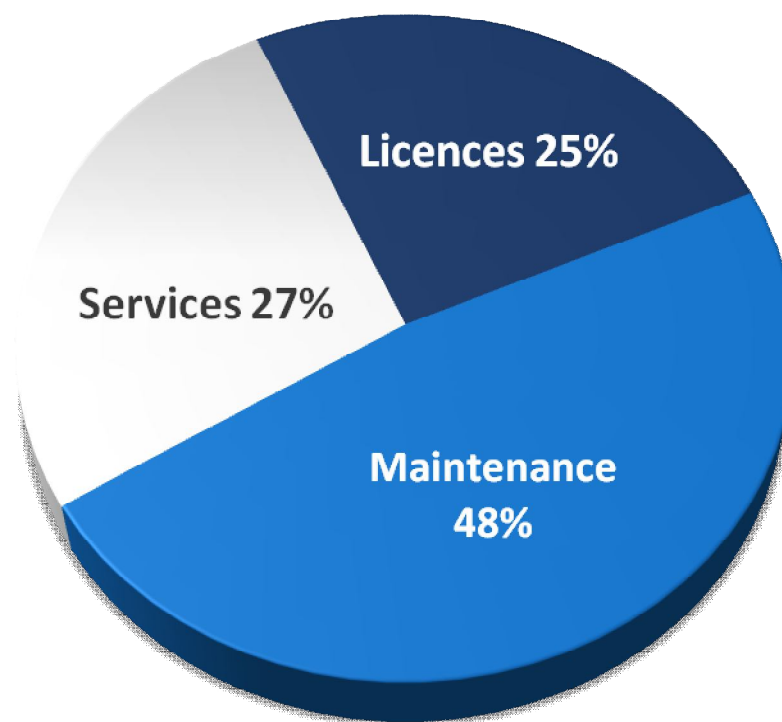
H1					
€M	2012	2011 published	2011 pro forma	Total growth	Organic growth ¹
Licences	24.6	31.9	33.0	-23.0%	-25.5%
Maintenance	47.1	40.7	42.2	15.8%	11.7%
Services	26.7	27.4	27.8	-2.6%	-4.1%
	98.4	100.0	103.0	-1.6%	-4.5%

Q1/Q2 growth		
	Q1 organic growth ¹	Q2 organic growth ¹
Licences	-32.5%	-20.5%
Maintenance	11.8%	11.6%
Services	-0.1%	-7.8%

(1) at constant exchange rates and on a like-for-like basis

Revenue breakdown - H1 2012

By business activity



Income Statement (1/2)

Income Statement

(in thousands of euros)

Revenue :

	S1 2012	S1 2011	FY 2011
License	24,578	31,926	77,762
Maintenance	47,116	40,699	85,037
Total Product Revenue	71,694	72,625	162,799
Services	26,677	27,394	54,445
Total Revenue :	98,371	100,018	217,244

Costs of sales:

Product Revenue	9,886	9,255	19,929
Services	25,423	23,897	49,285
Total Costs of sales :	35,309	33,153	69,214

Gross profit:

<i>as a % of Revenue</i>	<i>64.1%</i>	<i>66.9%</i>	<i>68.1%</i>
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Operating expenses :

Sales and marketing	31,377	30,416	61,528
Research and development	16,243	16,409	32,079
General and administrative	9,979	9,763	19,120
Total operating expenses :	57,599	56,587	112,727

Profit on operating activities

<i>as a % of Revenue</i>	<i>5.6%</i>	<i>10.3%</i>	<i>16.3%</i>
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Income Statement (2/2)

Stock related expenses	(564)	-	(146)
Amortization of intangible assets	(992)	(922)	(1,858)
Profit from recurring operations	3,907	9,356	33,299
<i>as a % of Revenue</i>	<i>4.0%</i>	<i>9.4%</i>	<i>15.5%</i>
Other income and expenses	(877)	(3,425)	(3,967)
Operating profit	3,030	5,931	29,332
Cost of net financial debt	(240)	(781)	(2,667)
Other financial revenues and expense	(229)	(1,137)	-
Income taxes	41	(1,082)	(5,208)
Net Profit	2,602	2,931	21,457
<i>as a % of Revenue</i>	<i>2.6%</i>	<i>2.9%</i>	<i>9.9%</i>



Simplified Balance Sheet (1/2)

	30/06/2012	30/06/2011	31/12/2011
	(in €m)	(in €m)	(in €m)
ASSETS			
Goodwill	173,2	156,4	169,6
Intangible assets	19,2	18,5	19,4
Property, plant and equipment	4,6	4,5	4,9
Other non-current assets	16,6	20,0	15,3
Non-current assets	213,6	199,4	209,2
Trade receivables	54,1	57,6	57,1
Other current assets	16,8	12,3	14,4
Cash and cash equivalents	40,9	13,7	23,8
Current assets	111,8	83,7	95,3
TOTAL ASSETS	325,5	283,1	304,5



Simplified Balance Sheet (2/2)



SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	40,6	32,2	40,3
Capital reserves and results	177,2	86,2	173,1
Total shareholders' equity	217,8	118,4	213,4
Financial debt - long-term portion	2,1	2,0	2,0
Other non-current liabilities	14,4	17,0	14,6
Non-current liabilities	16,5	18,9	16,6
Financial debt - short-term portion	0,5	0,8	0,5
Current account - Sopra Group	0,0	60,0	0,0
Other current liabilities	90,6	84,9	74,0
Current liabilities	91,2	145,7	74,5
TOTAL LIABILITIES	107,6	164,7	91,1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	325,5	283,1	304,5

Changes in Equity

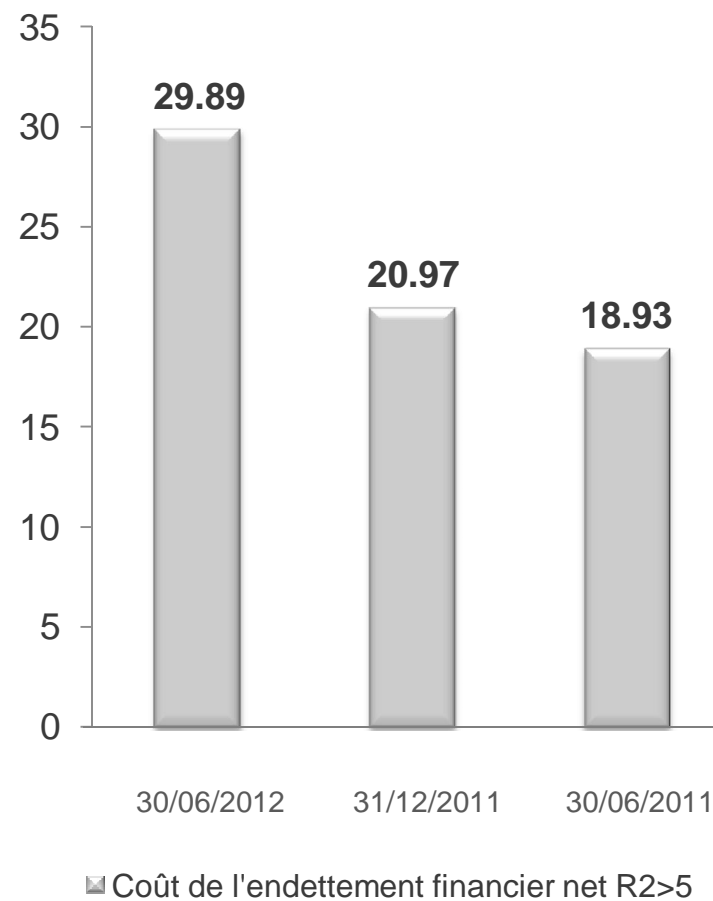
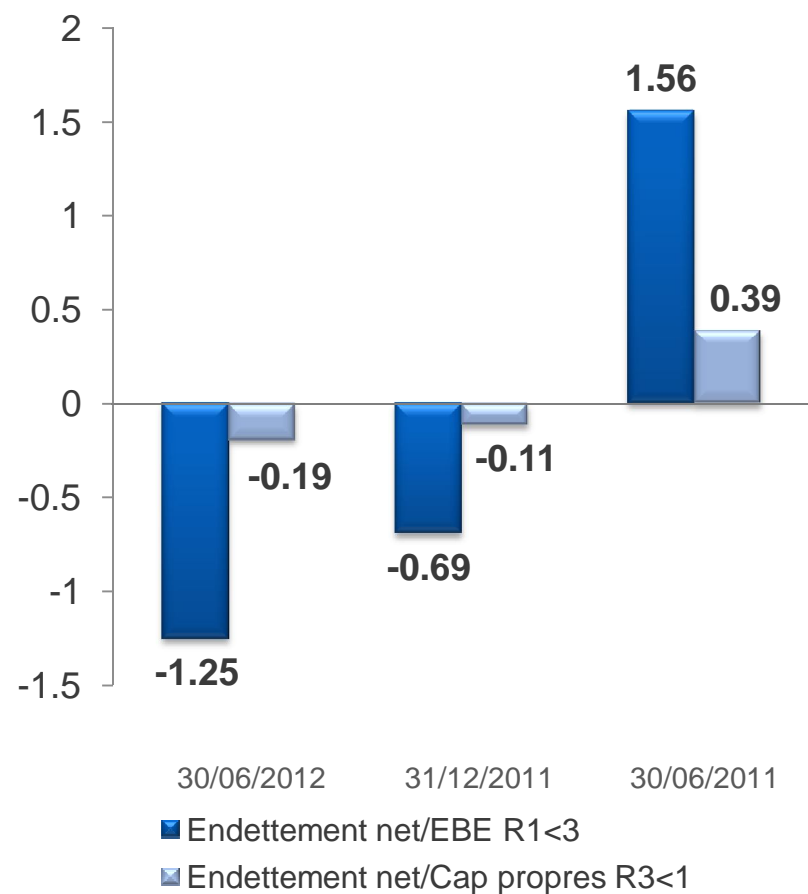
	30/06/2012 (in €m)	30/06/2011 (in €m)	31/12/2011 (in €m)
Equity at Opening of Period	213,4	148,1	148,1
Profit for the period	2,6	2,9	21,5
Other comp. income statement items	0,0	0,0	0,0
Share-based payments	0,6	0,0	0,1
Treasury Shares	-0,1	0,0	-0,6
Dividends	-5,0	0,0	-21,8
Capital increase	2,1	-21,8	61,2
Actuarial gains and losses	0,0	0,0	0,0
Other changes	0,0	-0,3	-0,1
Translation differential	4,2	-10,5	5,0
Equity at End of Period	217,8	118,4	213,4



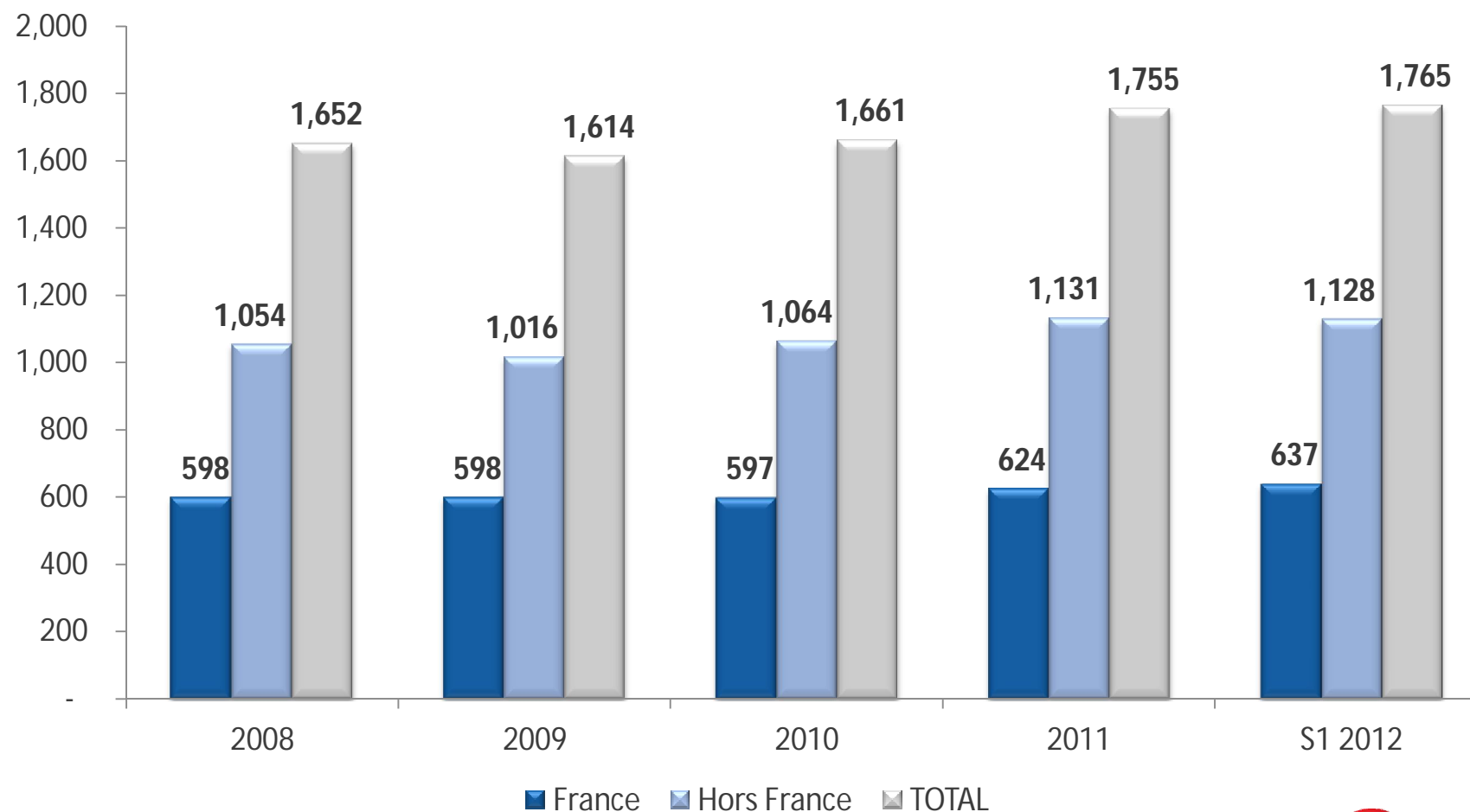
Cash flow statement

	S1 2012 (in M€)	S1 2011 (in M€)	Exercise 2011 (in M€)
Net profit for the period	2.6	2.9	26.6
Net charges to amortizations, depreciations and provisions	2.5	2.1	4.4
Other income and expense items	(0.3)	0.1	0.3
 Cash from operations after cost of net debt and tax	4.8	5.1	26.2
Changes to operating working capital requirements	18.0	15.6	8.1
Costs of net financial debt	0.2	0.8	1.6
Income tax paid net of accrual	(2.1)	3.8	(0.6)
Net cash from operating activities	20.9	25.3	35.3
Net cash used in investing activities	(1.1)	(3.0)	(3.6)
Proceeds on shares issued	2.1	-	61.2
Dividends paid	(5.0)	(21.8)	(21.8)
Change in current account - Sopra Group	-	(8.4)	(68.4)
Net interest paid	(0.2)	(0.8)	(1.6)
Other changes	0.2	(0.0)	(0.2)
Net cash from (used in) financing activities	(2.9)	(31.0)	(30.8)
Effect of foreign exchange rate changes	0.2	(0.3)	0.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	17.1	(9.0)	1.4
 Opening cash position	23.7	22.3	22.3
CLOSING CASH POSITION	40.8	13.3	23.7

Financial structure



Change in workforce



H1 2012: Operational summary

- France: deterioration in Q2
 - Investment decisions frozen for the third consecutive quarter (Finance and the Public Sector: our key segments!)
 - No generic or renewal licences signed, slowdown in services business
- Europe (excl. France)
 - Positive situation in Germany and the UK
 - > Managerial structure currently being strengthened
 - Difficult situation in Spain and Italy
- USA: good qualitative and quantitative client portfolio
 - Robust growth in Q2 following a first quarter penalised by high level of signatures in 2011

H1 2012: Operational summary

- Licences
 - Despite fiercer competition, licences remain steady with very little lost business, against a backdrop of longer decision cycles with some projects cancelled
- Maintenance
 - Fundamentals hold their own (average effective maintenance rate, cancellation rate)
 - Long-term strategy of increasing the level of support selected by our clients
- Services
 - Decline in new licences
 - Increasing importance of "recurrent" contracts (Managed Services, Cloud), but with longer decision cycles

Summary of key points

- The business environment in France was tougher in Q2, a situation which may persist, despite a marked and encouraging upturn in pre-sales
 - ✓ Moreover, investment decisions cannot be postponed for too long
- Encouraging results in the US and Northern Europe
 - ✓ Growth of 5 to 10+%
- Differentiation remains a core strategy and the competitive environment is good
- Axway's operating and financial fundamentals are sound
 - ✓ "L/M/S" mix
 - ✓ Momentum in the maintenance sector
 - ✓ Investment and profitability maintained

2012 Outlook

- Reflecting the seasonal nature of the business, performance is concentrated in the second half of the year.
- Our view remains unchanged, based on a client portfolio that is **promising overall** (USA, Germany and UK) and provided that the French market improves in H2, without necessarily generating positive annual growth.
- Investments needed for a differentiated positioning are maintained and M&A activity is intensified.

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Weakening market in France

According to the Software and Services sector barometer issued by Syntec Numérique – IDC Q2 2012, surveying a panel of 50 companies in the industry, and **based on indicators measured according to the "balance of opinion"***

- *The market declined in Q2*
- *Calls for tenders were down for two consecutive quarters*
- *But the industry remains confident for 2013*

* *The balance of opinion is the aggregate value of positive and negative replies from companies regarding deterioration.*

Our market has growth potential

The Gartner "Forecast Analysis: Enterprise Infrastructure Software, Worldwide, 2011-2016", Q1 2012 update, estimated enterprise infrastructure software revenues at \$153 billion in 2011 (Table 1), including \$32.2 billion for operating systems.

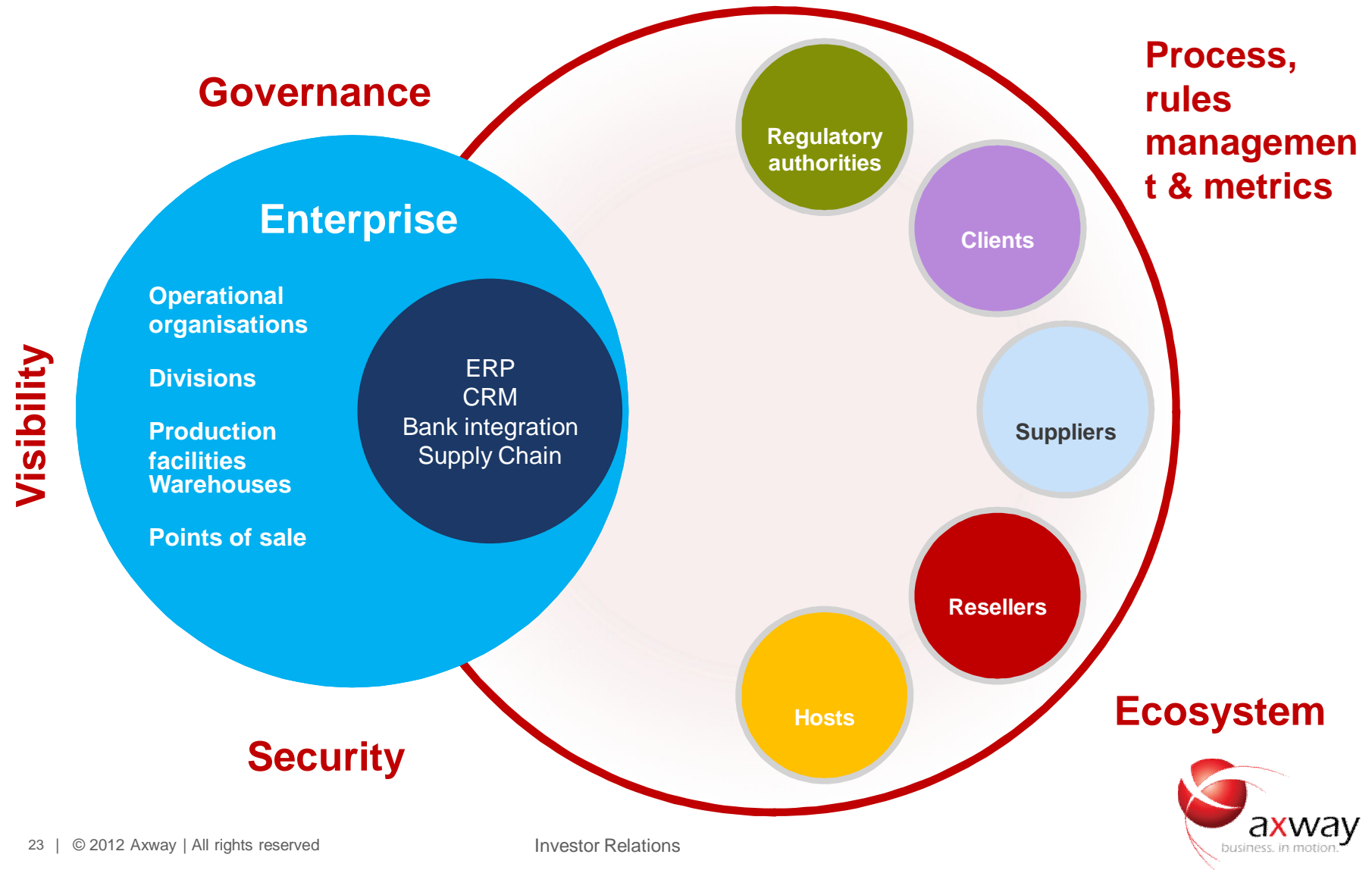
In the same document,

Gartner's estimates put Application Infrastructure and Middleware revenue at \$19.4 billion in 2011 (Table 1) - Axway's core business segment.

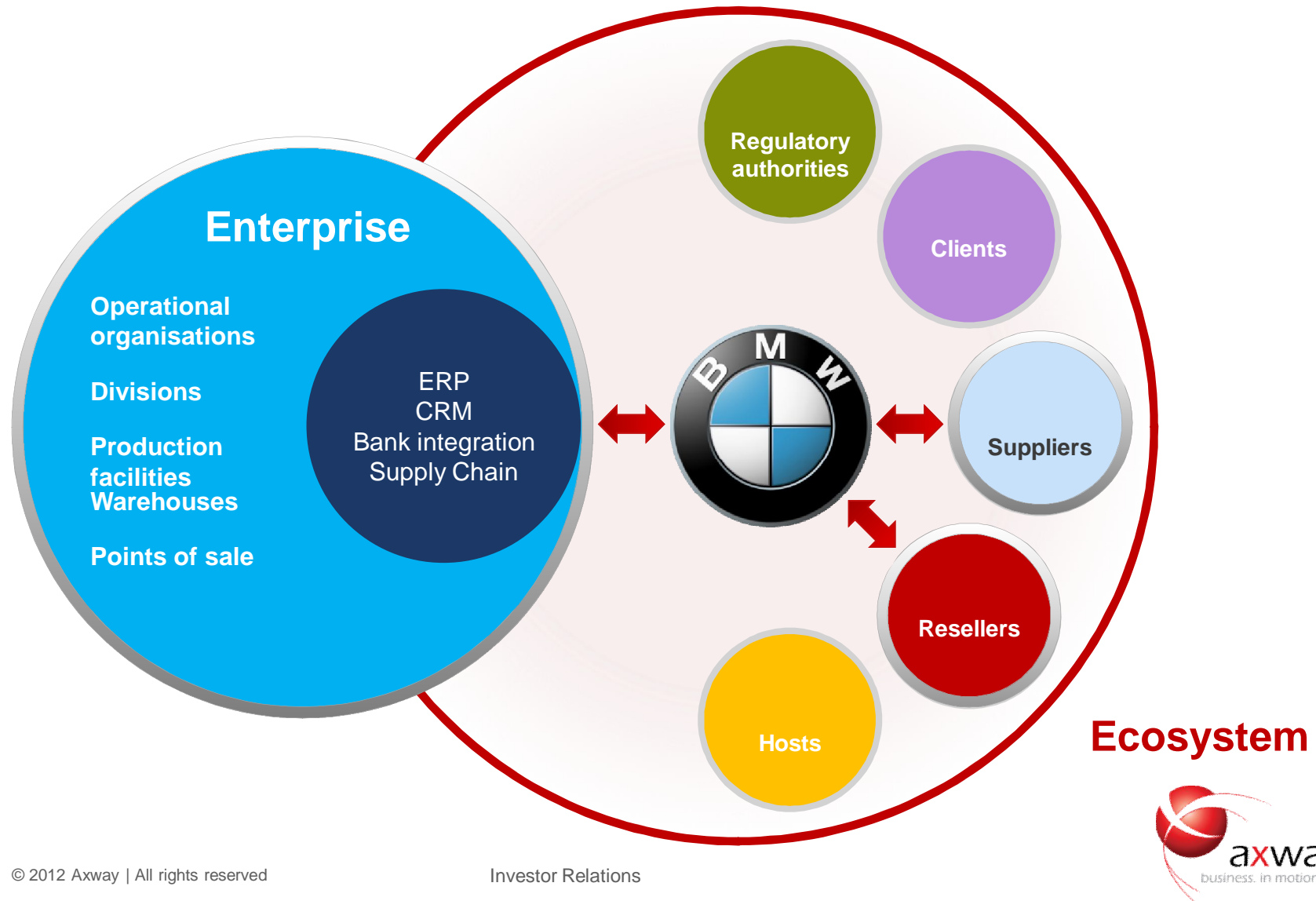
According to Gartner, revenues for the segment are expected to rise to \$27.5 billion in 2016 (Table 1)

Source: Gartner, Forecast Analysis: Enterprise Infrastructure Software, Worldwide, 2011-2016, 1Q12 Update, Colleen Graham, Laurie F. Wurster, Fabrizio Biscotti, Matthew Cheung, Ruggero

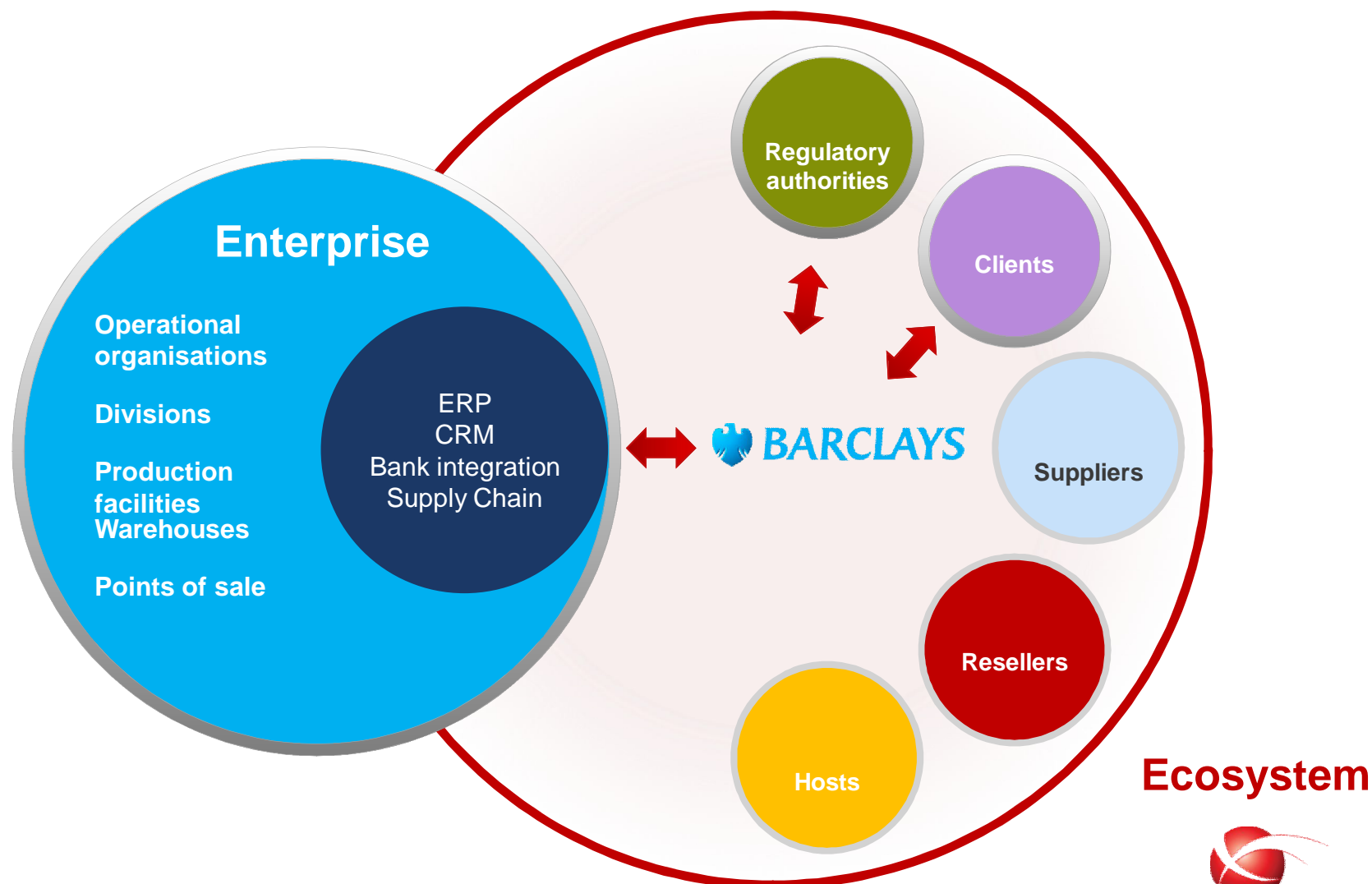
Some client projects



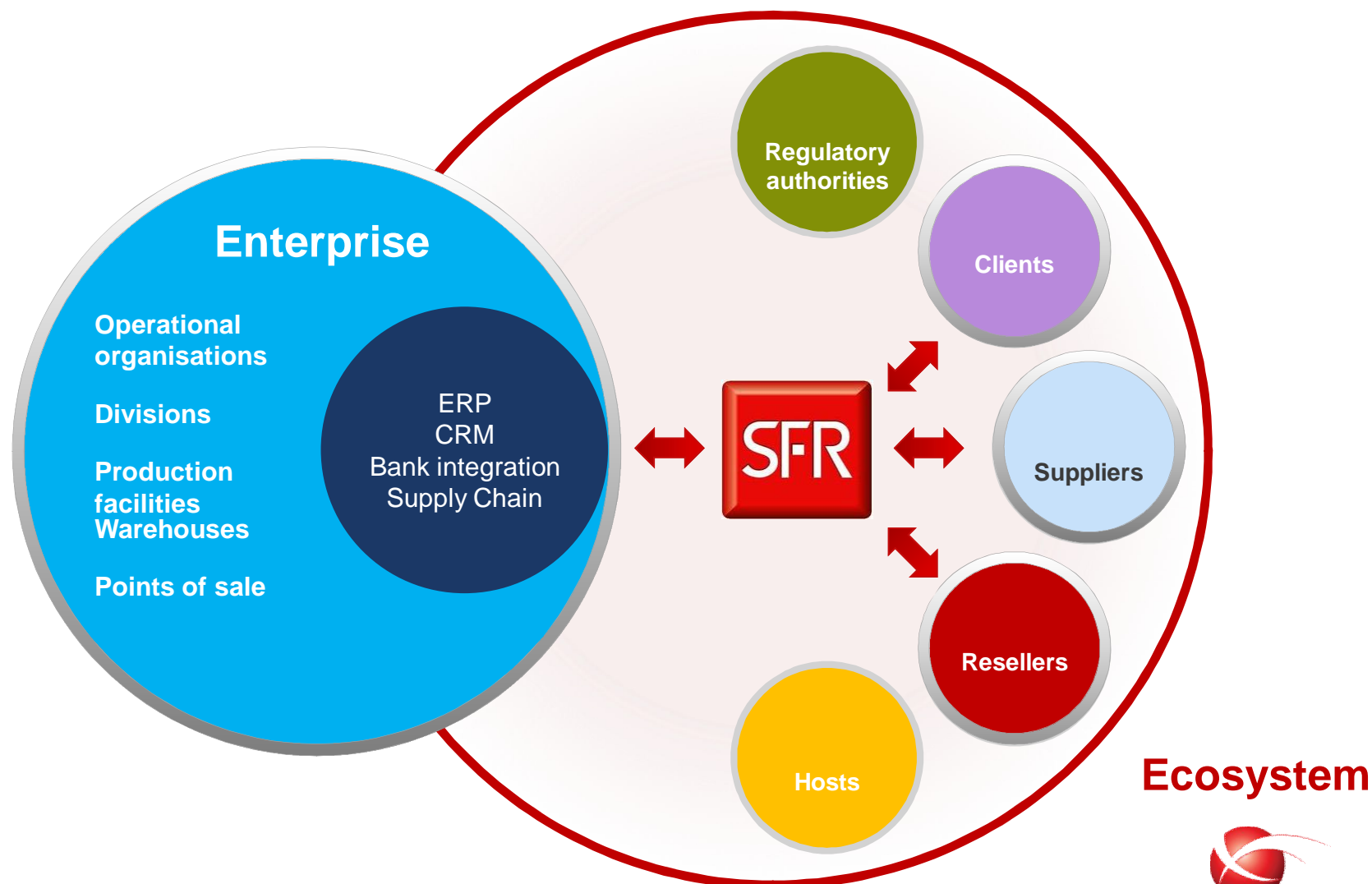
Some client projects | Consolidation



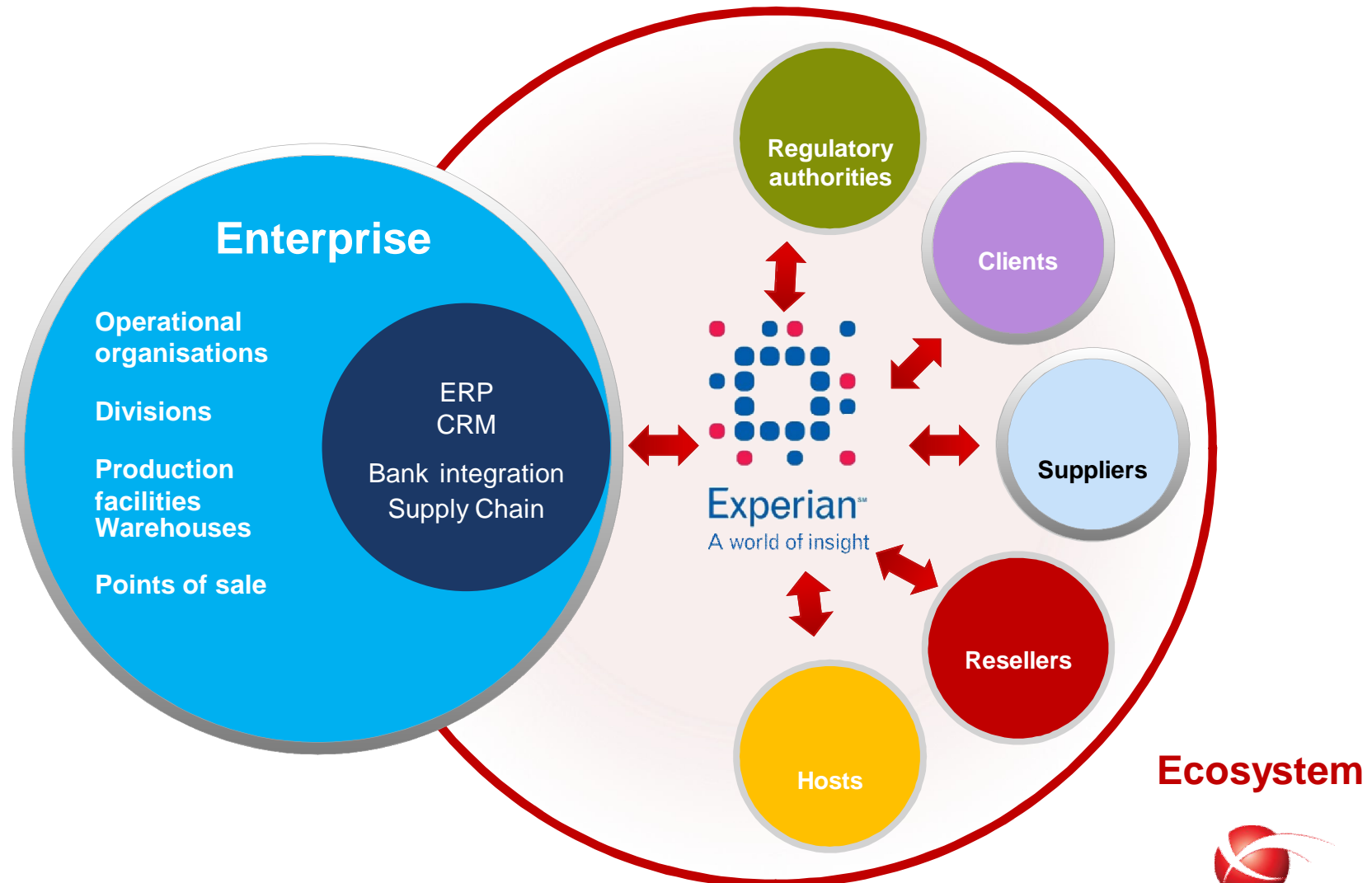
Some client projects



Some client projects



Client projects in the US | Security



Some Cloud client references

Towards massive adoption in Hosting, Private or Public Cloud



New deals - Europe



Exchange platform



Consolidation



Accounting integration



Exchange platform

New deals - USA



Exchange infrastructure



Consolidation
& Modernisation



Exchange infrastructure



Exchange infrastructure

New deals - Asia Pacific



ASSOCIATION OF SOUTHEAST ASIAN NATIONS

Integration



STATISTICS OF INDONESIA

Exchange security

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Axway's strategy

Middleware specialist, world leader in its market

Assist extended enterprises **to govern all data flows**

- Reduce the cost of data exchange
- Synchronise the order - production - delivery chain
- Develop secure commerce within the trading ecosystem
- Provide end-to-end visibility



Data flows governance

Market demand

- Financial sector: separate retail and financing activities
- US health sector: dematerialisation of the American health system
- Supply chain: traceability and operating efficiency
- Convergence and Cloud: a reality for businesses
- Piracy, information security

Axway's solutions

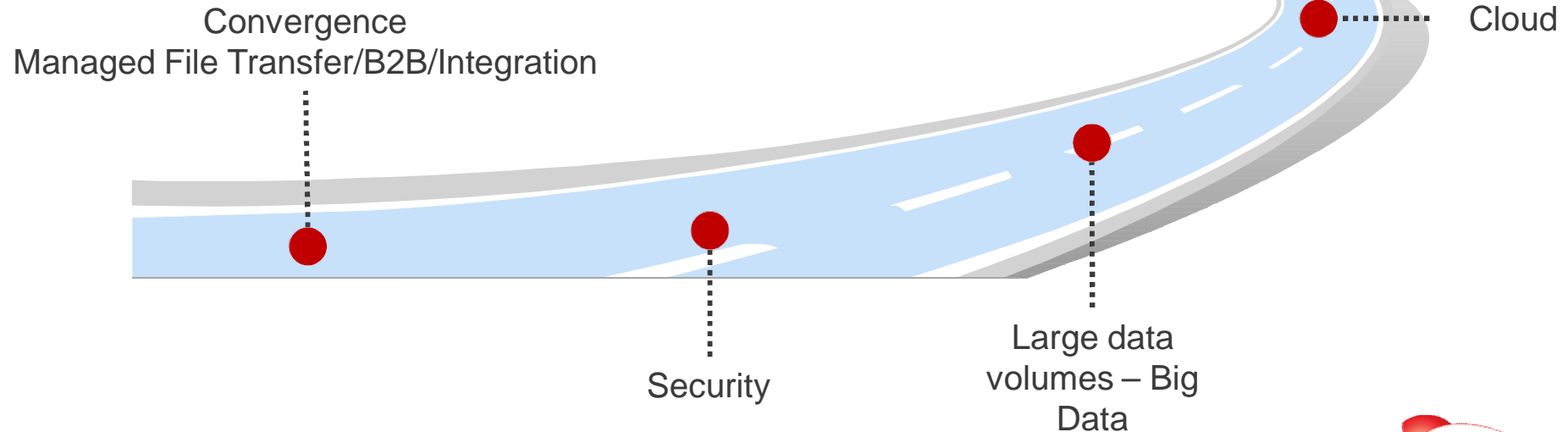
- Meet technical and industry standards for data flows (A2A, B2B, etc.)
- Application integration
- Ground, Cloud and hybrid
- Partner and user ecosystem management
- Security
- Control (alert and correction)
- Archiving, Reporting and Analysis

Emergence of Big Flow

Market trends set to benefit Axway

"Possible" competition

Large companies grown too big
Other specialists that are too high-end
Unsupported open sources



The long-term view: summary

- A competitive, differentiated and "indispensable" offering
 - This is true today
 - We must leverage growth opportunities (Big Flow)
- Organic growth and consolidation
 - Increase and extend our offering
 - Intensified M&A activity in H1
- Target of \$500 million and 20+% remains possible

Q&A

Thank you

H1 2012 Results Presentation

