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Press release

## Axway: 8.0% total revenue growth in the first half of 2014. Excellent progression in Maintenance (9.5%) and Services (9.9%). Total growth in Licenses stood at 3.2%.

Paris, July 24, 2014. The Board of Directors of Axway Software, under the chairmanship of Pierre Pasquier, closed the financial statements for the first six months of 2014, which show:

- Total revenue of €114.9 million in H1/2014 with organic growth of 5.7% compared to the first half of 2013;
- Profit on operating activities of €5.4 million or 4.7% (compared with 6.7% in the first half of 2013);
- Net profit of €2.8 million.

Key income statement items	HY 2014		HY 2013		FY 2013	
	(in M€)	(% Rev)	(in M€)	(% Rev)	(in M€)	(% Rev)
Revenue	114.9		106.4		237.5	
<i>Organic growth</i>	5.7%		4.8%		3.7%	
Profit on operating activities	5.4	4.7%	7.1	6.7%	37.5	15.8%
Profit from recurring operations	3.0	2.6%	4.6	4.3%	32.4	13.7%
Other income and expense	-1.0		-5.2		-5.3	
Net financial costs and currency impact	-0.7		-0.5		-1.3	
Income Taxes	1.6		10.9		9.8	
Net profit - Groupe share	2.8	2.4%	9.8	9.2%	35.6	15.0%
	(in €)		(in €)		(in €)	
Basic net earnings per share	0.13		0.48		1.75	

## Comments on activity

**On overall activity:** The demand in Middleware's historical segments (MFT/B2B/Integration) is continuing to undergo a major transformation, confirming the importance of incorporating today's emergent yet extremely dynamic technologies (API and Operational Intelligence-OI). The impact of these new technologies in the Middleware segment is still limited and led to an overall stable level of licenses over Q2.

**Revenue by region,** France has sustained excellent growth over the past two years. The Rest of Europe remains well positioned with the exception of Germany on the second quarter. Axway's business remained under pressure in the United States where a slowdown in demand for infrastructure projects has been observed.

## Revenue by geographical zone

M€

1 <sup>st</sup> Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
France	18.2	16.9	16.9	7.4%	7.4%
Rest of Europe	14.1	12.3	12.3	14.3%	14.1%
America's	17.9	19.1	18.4	-6.4%	-2.9%
Asia/Pacific	1.9	1.6	1.4	21.8%	36.1%
<b>Axway</b>	<b>52.0</b>	<b>49.9</b>	<b>49.1</b>	<b>4.3%</b>	<b>6.1%</b>

2 <sup>nd</sup> Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
France	24.6	17.9	21.7	37.4%	13.3%
Rest of Europe	15.0	14.4	14.5	3.7%	3.2%
America's	21.0	22.5	21.9	-6.8%	-4.2%
Asia/Pacific	2.3	1.7	1.6	41.5%	50.3%
<b>Axway</b>	<b>62.8</b>	<b>56.5</b>	<b>59.6</b>	<b>11.3%</b>	<b>5.4%</b>

1 <sup>st</sup> Semester	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
France	42.7	34.8	38.6	22.8%	10.7%
Rest of Europe	29.0	26.7	26.8	8.6%	8.2%
America's	38.9	41.6	40.3	-6.6%	-3.6%
Asia/Pacific	4.3	3.2	3.0	31.9%	43.5%
<b>Axway</b>	<b>114.9</b>	<b>106.4</b>	<b>108.7</b>	<b>8.0%</b>	<b>5.7%</b>

(1) at constant exchange rates and scope of consolidation

**Revenue by activity**, weak demand from the infrastructure market has penalized Licenses, especially in the USA. There was a lack of “major contract” wins during the second quarter, which was not compensated by the very encouraging gains made in the API and OI segments.

Maintenance's outstanding performance should be underscored and it now represents more than half (50%) of the overall business activity over the six-month period.

Services continue to make a turnaround with total growth of close to 10% during the first half.

### Revenue by type of activity

M€

1 <sup>st</sup> Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
Licenses	10.8	10.6	10.3	1.8%	4.4%
Maintenance	26.7	25.7	25.3	4.0%	5.8%
Services	14.5	13.6	13.5	6.6%	7.9%
<b>Axway</b>	<b>52.0</b>	<b>49.9</b>	<b>49.1</b>	<b>4.3%</b>	<b>6.1%</b>

2 <sup>nd</sup> Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
Licenses	17.1	16.4	17.1	4.1%	0.0%
Maintenance	30.7	26.7	28.3	14.7%	8.4%
Services	15.1	13.4	14.3	13.1%	6.0%
<b>Axway</b>	<b>62.8</b>	<b>56.5</b>	<b>59.6</b>	<b>11.3%</b>	<b>5.4%</b>

1 <sup>st</sup> Semester	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth <sup>(1)</sup>
Licenses	27.8	27.0	27.4	3.2%	1.7%
Maintenance	57.4	52.4	53.6	9.5%	7.2%
Services	29.6	27.0	27.7	9.9%	6.9%
<b>Axway</b>	<b>114.9</b>	<b>106.4</b>	<b>108.7</b>	<b>8.0%</b>	<b>5.7%</b>

(1) at constant exchange rates and scope of consolidation

Customers have greeted the OI (Operational Intelligence) technology, coming from the Systar acquisition in the first half of 2014, as a real enhancement to Axway's offering and the products synergies have been developing very naturally.

In the first half of 2014, management devoted a considerable amount of energy to the Systar acquisition that was successfully completed in June 2014, now allowing an integration project to take place in the second half of 2014.

Profit on operating activities amounted to €5.4 million (4.7% of revenue). In comparison with the first half of 2013, the weaker performance of Licenses in the second quarter of 2014 should be taken into account.

## **Financial position**

Axway sustained a robust financial position at June 30, 2014, with a cash balance of €41.3 million and equity totaling €255.3 million. Bank indebtedness amounted to €60.9 million at June 30, 2014 including the financing for the acquisition of Systar in April 2014. The company's debt at June 30, 2014 allows us to comfortably respect our banking covenants.

The June 30, 2014 net income per share of €0.13 per share is not directly comparable to the same period of 2013. The 2013 first semester net result integrates the GSA matter settlement with the American Department of Justice and the activation of the tax losses in the United States, made possible from the growth in profitability (historic and forecasted) of the US subsidiary of the group. Without the impact of these two exceptional items, our net result would have been €5.6 million or €0.27 per share as compared to €0.13 per share for the same period in 2012.

The consolidated interim financial statements were subject to a limited audit. The limited audit report is in the process of being published.

## **Workforce**

The integration of Systar's teams during the first half of 2014 led to an increase in the Group's employees as at June 30, 2014.

At June 30, 2014, Axway's workforce numbered 1,984 employees (722 in France and 1,262 outside France), an increase of 201 people from December 31, 2013 (and of 186 people from June 30, 2013).

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## Strategy

Axway's positioning as a specialist in governing the flow of data is based on:

- A state-of-the-art offering requiring frequent product investments and enhancements to the functional scope (such as API and OI);
- Being a leading player in the market in formalizing and offering value propositions to customers with business investments and marketing as the driving factors in achieving this.

Axway's strategy is consistent with this approach. Using its position in governing the flow of data, it aims to reflect the changes in the Middleware market, which is seeking to implement solutions that go beyond the coverage of technological capabilities and respond to the challenges of the digital company.

## Outlook

As with each year, the performance in the first half does not provide any particular indication as to what the overall performance for the year will be. The following events should be taken into account for Axway: the slowdown in licenses recorded in the second quarter; the change in demand leading to a momentum differentiating the relevant technologies; the necessary efforts to integrate Systar in order for it to achieve an appropriate level of profitability at year-end as well as the expected volume of licenses by the end of the year, which is not fully visible at present. With this in mind:

- Axway confirms its outlook for positive organic growth in 2014;
- The operating profit margin should be similar to that of 2013.

## Financial Calendar

Friday, July 25, 2014:

- 2:30 pm: French Society of Financial Analysts (SFAF) meeting at the Shangri-La Hotel in Paris (in French).
- 6:00 pm: Webinar (in English)

Thursday, October 30, 2014 (before the market opening): Publication of the Q3 2014.

The company will publish its half-year financial report in French on August 29, 2014. This report will be available [at www.finance.axway.com](http://www.finance.axway.com) under the Financial Documents tab and also on the AMF website: [www.amf-France.org](http://www.amf-France.org).

**Income Statement**
*(in thousands of euros)*

	<b>HY 2014</b>	<b>HY 2013</b>	<b>FY 2013</b>
<b>Revenue :</b>			
Licenses	27 837	26 970	75 583
Maintenance	57 395	52 417	106 348
Total Product Revenue	85 232	79 387	181 931
Services	29 638	26 979	55 613
<b>Total Revenue :</b>	<b>114 870</b>	<b>106 366</b>	<b>237 544</b>
<b>Costs of sales:</b>			
Product Revenue	11 498	10 547	20 721
Services	28 106	25 734	51 407
<b>Total Costs of sales :</b>	<b>39 604</b>	<b>36 281</b>	<b>72 128</b>
<b>Gross profit:</b>	<b>75 266</b>	<b>70 085</b>	<b>165 416</b>
<i>as a % of Revenue</i>	65.5%	65.9%	69.6%
<b>Operating expenses :</b>			
Sales and marketing	37 180	33 870	70 763
Research and development	20 186	17 642	33 636
General and administrative	12 491	11 443	23 549
<b>Total operating expenses :</b>	<b>69 858</b>	<b>62 955</b>	<b>127 948</b>
<b>Profit on operating activities</b>	<b>5 408</b>	<b>7 130</b>	<b>37 468</b>
<i>as a % of Revenue</i>	4.7%	6.7%	15.8%
Stock option related expenses	(437)	(645)	(1 352)
Amortization of intangible assets	(1 991)	(1 898)	(3 679)
<b>Profit from recurring operations</b>	<b>2 980</b>	<b>4 587</b>	<b>32 437</b>
<i>as a % of Revenue</i>	2.6%	4.3%	13.7%
Other income and expenses	(969)	(5 177)	(5 271)
<b>Operating profit</b>	<b>2 012</b>	<b>(590)</b>	<b>27 166</b>
Cost of net financial debt	(407)	(204)	(674)
Other financial revenues and expense	(276)	(275)	(656)
Income taxes	1 633	10 881	9 759
<b>Net Profit of the consolidated group</b>	<b>2 962</b>	<b>9 813</b>	<b>35 595</b>
<i>as a % of Revenue</i>	2.6%	9.2%	15.0%
Minority Interest	203	-	-
<b>Net Profit - Groupe share</b>	<b>2 759</b>	<b>9 813</b>	<b>35 595</b>
<i>as a % of Revenue</i>	2.4%	9.2%	15.0%
Basic net earnings per share (in Euro)	<b>0.13</b>	<b>0.48</b>	<b>1.75</b>

Simplified Balance Sheet	30/06/2014	31/12/2013	30/06/2013
	(in M€)	(in M€)	(in M€)
<b>ASSETS</b>			
Goodwill	226.4	189.3	195.6
Intangible assets	41.8	28.8	31.3
Property, plant and equipment	6.9	6.3	5.9
Other non-current assets	57.0	45.7	30.4
<b>Non-current assets</b>	<b>332.2</b>	<b>270.1</b>	<b>263.2</b>
Trade receivables	65.7	64.4	57.7
Other current assets	13.4	8.3	22.7
Cash and cash equivalents	41.3	49.2	54.1
<b>Current assets</b>	<b>120.4</b>	<b>121.9</b>	<b>134.5</b>
<b>TOTAL ASSETS</b>	<b>452.6</b>	<b>392.0</b>	<b>397.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	41.1	40.9	40.7
Capital reserves and results	214.2	217.4	198.0
<b>Total shareholders' equity</b>	<b>255.3</b>	<b>258.4</b>	<b>238.7</b>
Financial debt – long term portion	51.1	28.5	37.9
Other non-current liabilities	22.0	15.5	19.6
<b>Non-current liabilities</b>	<b>73.1</b>	<b>44.0</b>	<b>57.5</b>
Financial debt – short-term portion	13.0	9.5	4.7
Other current liabilities	111.1	80.1	96.8
<b>Current liabilities</b>	<b>124.1</b>	<b>89.6</b>	<b>101.5</b>
<b>TOTAL LIABILITIES</b>	<b>197.3</b>	<b>133.6</b>	<b>159.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>452.6</b>	<b>392.0</b>	<b>397.7</b>



Cash Flow Statement	HY 2014 (in M€)	HY 2013 (in M€)	FY 2013 (in M€)
<b>Net profit for the period</b>	<b>3.0</b>	<b>9.8</b>	<b>35.6</b>
Net charges to amortizations, depreciations and provisions	4.6	8.1	8.0
Other income and expense items	0.6	1.0	1.7
<b>Cash from operations after cost of net debt and tax</b>	<b>8.2</b>	<b>18.9</b>	<b>45.3</b>
Changes to operating working capital requirements	21.3	19.8	(3.6)
Costs of net financial debt	0.4	0.4	0.7
Income tax paid net of accrual	(2.2)	(12.1)	(14.1)
<b>Net cash from operating activities</b>	<b>27.7</b>	<b>27.0</b>	<b>28.3</b>
<b>Net cash used in investing activities</b>	<b>(52.5)</b>	<b>(1.5)</b>	<b>(3.6)</b>
Proceeds on shares issued	1.0	0.5	2.2
Dividends paid	(8.2)	(7.1)	(7.1)
Change in loan	23.9	-	(4.4)
Net interest paid	(0.4)	(0.4)	(0.7)
Other changes	0.2	0.2	0.3
<b>Net cash from (used in) financing activities</b>	<b>16.6</b>	<b>(6.8)</b>	<b>(9.7)</b>
Effect of foreign exchange rate changes	0.4	-	(1.2)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(7.9)</b>	<b>18.7</b>	<b>13.8</b>
Opening cash position	49.2	35.4	35.4
<b>CLOSING CASH POSITION</b>	<b>41.3</b>	<b>54.1</b>	<b>49.2</b>

## Disclaimer

This document is a free translation into English of the original French press release. 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.

## About Axway

Axway (NYSE Euronext: AXW.PA), a market leader in governing the flow of data, is a global software company with more than 11,000 public- and private-sector customers in 100 countries. For more than a decade, Axway has empowered leading organizations around the world with proven solutions that help manage business-critical interactions through the exchange of data flowing across the enterprise, among B2B communities, cloud and mobile devices. Our award-winning solutions span business-to-business integration, managed file transfer, operational intelligence, API and identity management, and email security– offered on premise and in the Cloud with professional and managed services. Axway is registered in France with headquarters in the United States and offices in 19 countries.

[www.axway.com](http://www.axway.com)