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Press release

Axway reports solid 2014 results with:

- Organic growth of 3.6%
- Total growth of 10.1%
- Operating margin on operating activities of €39.7M, or 15.2% of revenue
- Net margin of €26.7M, or 10.2% of revenue

Paris, 25 February 2015: Axway Software's Board of Directors, meeting on 24 February under the chairmanship of Pierre Pasquier, approved the consolidated financial statements for the financial year ended 31 December 2014. An excellent fourth quarter almost completely offset the slack that had built up since the beginning of the year in Licenses. Despite a slight drop in the operating margin on operating activities as a result of this lag, 2014 was very satisfactory, with a significant increase in activity and a very solid financial position.

	FY 2014		FY 2013		FY 2012	
	(in €m)	(% Rev)	(in €m)	(% Rev)	(in €m)	(% Rev)
Key income statement items						
Revenue	261.6		237.5		224.3	
<i>Organic growth</i>	3.6%		3.7%		-1.6%	
Profit on operating activities	39.7	15.2%	37.5	15.8%	35.0	15.6%
Profit from recurring operations	33.6	12.8%	32.4	13.7%	31.7	14.1%
Other income and expense	-2.3		-5.3		-2.9	
Net financial costs and currency impact	-0.9		-1.3		-0.1	
Income Taxes	-3.6		9.8		-4.0	
Net profit	26.7	10.2%	35.6	15.0%	24.7	11.0%
	(in €)		(in €)		(in €)	
Basic net earnings per share	1.29		1.75		1.22	

- Earnings per share are calculated on the basis of 20,551,415 shares in 2014, 20,379,481 shares in 2013 and 20,255,401 shares in 2012.

Comments on 2014 activity

2014 was marked by:

- the acquisition of Systar in the first half of 2014. This company specialises in performance management software publishing, using, inter alia, Operational Intelligence technology. Axway intends to continue developing the latest generation of Operational Intelligence products within its Axway 5 Suite and is already leveraging major synergies with Systar in terms of solution positioning and its customer base;
- the significant and ongoing transformation of demand on the traditional Middleware (MFT/B2B/Integration) segments, which confirms the necessity of combining emerging technologies (API (Application Programming Interface), Operational Intelligence) to take advantage of this fundamental shift as companies embrace digitalisation;
- the emergence of demand for Cloud-based integration tools. Companies are increasingly choosing to place their application software in the Cloud, presenting growth opportunities for Axway without any risk of cannibalisation of the installed base. The Axway 5 Suite is available both On Premise and in the Cloud;
- deployment of API technology Axway's acquisition of Vordel in 2012 started a trend towards market consolidation, demonstrating the strategic importance of this technology in applications integration. 2014 was a year of rollout, both in terms of solutions (availability of Axway 5 Suite) and the sales dynamic;
- an excellent fourth quarter for Licenses (growth of 18.3% compared with Q4 2013). This almost offset the slack in total orders taken during the first three quarters.

This excellent performance testifies to the strength of Axway's positioning in Middleware, a segment that is developing rapidly to help companies respond to the challenges of digitalisation. It also proves the Company's ability to mobilise to meet this demand.

Revenue by region (in €m)

FY 2014	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth ¹
France	103.4	82.5	95.1	25.3%	8.8%
Rest of Europe	59.5	57.6	57.9	3.3%	2.7%
America's	89.1	90.7	93.0	-1.8%	-4.2%
Asia/Pacific	9.6	6.7	6.5	42.3%	46.5%
Axway	261.6	237.5	252.6	10.1%	3.6%

(1) at constant exchange rates and scope of consolidation

The strong performance in France with an organic growth at +8.8%, confirms the turnaround seen since the fourth quarter of 2012. Customers are taking full advantage of Axway 5's innovations and the partnership with Sopra Banking Software. This enabled the region to enter 2015 with a strong commercial portfolio. 2014 has seen greater contrasts in the United States, where Axway 5 solutions were not available in full for customers using products resulting from the Tumbleweed acquisition. The Group was also faced with execution difficulties, which only started to improve in the fourth quarter. On the upside, significant demand for Cloud projects continued in this region, particularly in healthcare. Performance in other European countries was varied, however, overall, it remained positive across the financial year. Asia/Pacific saw very strong growth, particularly due to the importance of API in a commercial portfolio that nevertheless remained smaller than other regions.

Revenue by activity (in €m)

FY 2014	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth ¹
Licenses	79.6	75.6	81.0	5.3%	-1.8%
Maintenance	120.5	106.3	112.8	13.3%	6.8%
Services	61.5	55.6	58.8	10.5%	4.6%
Axway	261.6	237.5	252.6	10.1%	3.6%

(1) at constant exchange rates and scope of consolidation

Axway's €38.5 million from Licenses in the fourth quarter (up 18.3% compared with Q4 2013) was an excellent performance (48% of the Licenses in 2014). Nevertheless, it did not fully offset the shortfall seen in License orders since the start of the year. Over FY 2014, the Licenses activity remained almost identical to that of 2013. However, this is an average figure, which masks the fact that certain segments remain extremely dynamic, such as API and the new Axway 5 Suite software.

The 6.8% growth in maintenance was excellent, raising this highly recurring activity to more than 46% of Group revenue. Services rose significantly (up 4.6% compared with 2013), with certain segments growing very strongly, such as Managed Services and the Cloud.

Financial position

Axway's financial position at 31 December 2014 is very strong, with cash and cash equivalents amounting to €44.6 million, bank debt of €44.5 million and equity of €298.5 million.

In 2014, the Group carried out a major acquisition (Systar, in the first half of 2014), as well as the takeover of a distribution partner in Australia (Information Gateways in January 2014). Including these transactions, the Company's net debt at 31 December 2014 totalled €3.1 million, allowing it to obtain financial ratios respecting comfortably the values within the banking covenants.

The level of margin on operating activities (15.2% over the year) fell by 60 basis points compared with 2013, due to the weaker performance in Licenses over the first three quarters, and the integration of Systar, particularly the efforts devoted to taking advantage of the latest generation of Operational Intelligence products across the entire distribution network. This solid result underlines the robustness of the Axway business model, making it possible to maintain all planned investments to sustain its competitive edge, which remains intact and is a key growth driver.

Net profit at 31 December 2014 amounted to €26.7 million (10.2% net margin). Net profit in 2013 (€35.6 million and 15.0% net margin) included the activation of tax loss carry forwards for the subsidiary Axway Inc and the settlement of a commercial dispute. Excluding these two exceptional items, net profit in 2013 would have been at €27.1 million, or 1.33€ per share, at a very similar level to 2014.

The audit process on the annual consolidated financial statements is currently being finalised.

Workforce

Axway employed 1,961 people at 31 December 2014 (698 in France and 1,263 in other countries), an increase of 178 employees compared with 31 December 2013.

Cash dividend

At the next Shareholders' Meeting, Axway's Board of Directors will suggest the distribution of a dividend of €0.40 per share in respect of 2014.

Strategy & Prospects

The Middleware market is changing, both in terms of its technological scope to cover Digital requirements and in companies' consumption trends (Software as a Service). Providers must therefore innovate to boost traditional segments (for example, MFT, B2B), incorporate appropriate technologies to serve Mobile and Cloud integration and extend their business model.

On this basis, the Company confirms its positioning (governing the flow of data for large organisations and their ecosystems) and the quality of its competitive position in this area.

This positioning is based on a market where the dynamism is driven by the major Digital technological drivers (mobility, Cloud, Big Data, Internet of Things), which are contributing to the sizable development of data flows both inside and outside companies. Axway has robust historical assets (MFT, B2B technologies) and has made key choices (API, Operational Intelligence) to maintain a significant competitive edge.

2014, and in particular the momentum seen in the 4th quarter, confirms this analysis and validates the direction taken by the Company. However, the overall Middleware environment is still undergoing significant change, which means that we need to update our objectives, and the steps and milestones set out in the Company's medium-term development plan.

In the context, the Company has decided to revalidate its strategic analysis by revisiting the plan prepared in 2011 at the time of its IPO. This work, which is expected to be completed in the 1st half of 2015, will allow us to strengthen the Company by identifying appropriate adjustments to best respond to market developments.

In the short term, and continuing the trend from late 2014, the start of 2015 looks encouraging, with promising commercial portfolios.

Revenue by region and by quarter (in €m)

1st Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
France	18.2	16.9	16.9	7.4%	7.4%
Rest of Europe	14.1	12.3	12.3	14.3%	14.1%
Americas	17.9	19.1	18.4	-6.4%	-2.9%
Asia/Pacific	1.9	1.6	1.4	21.8%	36.1%
Axway	52.0	49.9	49.1	4.3%	6.1%

2nd Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
France	24.6	17.9	21.7	37.6%	13.6%
Rest of Europe	15.0	14.4	14.5	3.7%	3.2%
Americas	20.9	22.5	21.9	-6.9%	-4.2%
Asia/Pacific	2.3	1.7	1.6	41.5%	50.3%
Axway	62.9	56.5	59.6	11.3%	5.5%

3rd Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
France	20.3	20.4	24.0	-0.4%	-15.2%
Rest of Europe	13.4	13.2	13.3	1.7%	0.7%
Americas	23.5	24.8	25.3	-5.5%	-7.1%
Asia/Pacific	2.2	1.6	1.6	41.4%	39.9%
Axway	59.4	60.0	64.2	-0.9%	-7.4%

4th Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
France	40.3	27.3	32.5	47.6%	23.9%
Rest of Europe	17.1	17.7	17.8	-3.4%	-4.0%
Americas	26.7	24.2	27.4	10.3%	-2.5%
Asia/Pacific	3.1	1.9	2.0	60.6%	56.2%
Axway	87.2	71.2	79.8	22.6%	9.4%

(1) at constant exchange rates and scope of consolidation

Revenue by activity and by quarter (in €m)

1st Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
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%
	52.0	49.9	49.1	4.3%	6.1%

2nd Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
Licenses	17.0	16.4	17.1	4.1%	-0.1%
Maintenance	30.7	26.7	28.3	14.9%	8.5%
Services	15.1	13.4	14.3	13.2%	6.1%
Axway	62.9	56.5	59.6	11.3%	5.5%

3rd Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
Licenses	13.3	20.2	21.1	-34.1%	-37.0%
Maintenance	30.9	26.6	28.7	16.3%	7.6%
Services	15.3	13.3	14.3	14.9%	6.4%
	59.4	60.0	64.2	-0.9%	-7.4%

4th Quarter	2014	2013 Published	2013 Pro forma	Total Growth	Organic Growth¹
Licenses	38.5	28.5	32.5	35.2%	18.3%
Maintenance	32.2	27.4	30.5	17.7%	5.5%
Services	16.6	15.4	16.7	8.0%	-0.7%
Axway	87.2	71.2	79.8	22.6%	9.4%

(1) at constant exchange rates and scope of consolidation

Income Statement

(in millions of euros)

	FY 2014	FY 2013	FY 2012
Revenue :			
License	79.6	75.6	71.4
Maintenance	120.5	106.3	98.2
Total Product Revenue	200.1	181.9	169.6
Services	61.5	55.6	54.7
Total Revenue :	261.6	237.5	224.3
Costs of sales:			
Product Revenue	21.9	20.7	20.7
Services	57.0	51.4	51.1
Total Costs of sales :	78.9	72.1	71.7
Gross profit:	182.6	165.4	152.6
<i>as a % of Revenue</i>	<i>69.8%</i>	<i>69.6%</i>	<i>68.0%</i>
Operating expenses :			
Sales and marketing	77.5	70.8	64.1
Research and development	41.0	33.6	32.5
General and administrative	24.5	23.5	21.0
Total operating expenses :	143.0	127.9	117.6
Profit on operating activities	39.7	37.5	35.0
<i>as a % of Revenue</i>	<i>15.2%</i>	<i>15.8%</i>	<i>15.6%</i>
Stock option related expenses	(0.8)	(1.4)	(1.1)
Amortization of intangible assets	(5.3)	(3.7)	(2.1)
Profit from recurring operations	33.6	32.4	31.7
<i>as a % of Revenue</i>	<i>12.8%</i>	<i>13.7%</i>	<i>14.1%</i>
Other income and expenses	(2.3)	(5.3)	(2.9)
Operating profit	31.3	27.2	28.7
Cost of net financial debt	(1.4)	(0.3)	0.3
Other financial revenues and expenses	0.4	(1.0)	(0.4)
Income taxes	(3.6)	9.8	(4.0)
Net Profit	26.7	35.6	24.7
<i>as a % of Revenue</i>	<i>10.2%</i>	<i>15.0%</i>	<i>11.0%</i>

Simplified Balance Sheet

	31/12/2014	31/12/2013	31/12/2012
	(in €m)	(in €m)	(in €m)
ASSETS			
Goodwill	236.5	189.3	196.6
Intangible assets	45.6	28.8	31.0
Property, plant and equipment	6.9	6.3	6.2
Other non-current assets	42.1	45.7	27.6
Non-current assets	331.1	270.1	261.4
Trade receivables	84.9	64.4	72.2
Other current assets	18.2	8.3	8.1
Cash and cash equivalents	44.6	49.2	35.4
Current assets	147.6	121.9	115.7
TOTAL ASSETS	478.7	392.0	377.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	41.1	40.9	40.6
Capital reserves and results	257.4	217.4	193.3
Total shareholders' equity	298.5	258.4	233.9
Financial debt - long-term portion	46.3	28.5	36.9
Other non-current liabilities	18.9	15.5	16.2
Non-current liabilities	65.2	44.0	53.1
Financial debt - short-term portion	1.3	9.5	5.3
Other current liabilities	113.7	80.1	84.7
Current liabilities	115.0	89.6	90.0
TOTAL LIABILITIES	180.2	133.6	143.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	478.7	392.0	377.0

Cash Flow Statement

	FY 2014	FY 2013	FY 2012
	(in €m)	(in €m)	(in €m)
Net profit for the period	26.7	35.6	24.7
Net charges to amortizations, depreciations and provisions	8.3	8.0	5.8
Other income and expense items	0.2	1.7	0.6
Cash from operations after cost of net debt and tax	35.2	45.3	31.1
Changes to operating working capital requirements	11.0	(3.6)	(10.8)
Costs of net financial debt	1.4	0.7	0.1
Income tax paid net of accrual	(0.2)	(14.1)	(0.2)
Net cash from operating activities	47.3	28.3	20.2
Net cash used in investing activities	(54.4)	(3.6)	(45.6)
Proceeds on shares issued	1.3	2.2	2.1
Dividends paid	(8.2)	(7.1)	(5.0)
Change in loan	7.7	(4.4)	40.0
Net interest paid	(1.4)	(0.7)	-
Other changes	(0.7)	0.3	0.1
Net cash from (used in) financing activities	(1.2)	(9.7)	37.2
Effect of foreign exchange rate changes	3.7	(1.2)	(0.1)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4.6)	13.8	11.7
Opening cash position	49.2	35.4	23.7
CLOSING CASH POSITION	44.6	49.2	35.4

Financial Calendar

- Thursday 26 February 2015 at 2.30pm CET: SFAF meeting of financial analysts, Hôtel Le Meurice, Paris.
- Thursday 26 February 2015 at 5.30pm CET: web conference on the 2014 results.
- Monday 27 April 2015 (after close of trading): Press release Q1 2015.

Disclaimer

The forecasts in this document are contingent upon risks and uncertainties as to the Group's future growth and profitability. Readers are reminded that license agreements, which often represent investments for our clients, are more significant in the second half of the year and may therefore have a more or less favourable impact on full-year performance.

The outcome of events or actual results may differ from those described in this document as a result of various risks and uncertainties set out in the 2013 Registration Document submitted to the *Autorité des Marchés Financiers* on 24 April 2014 under number R14-019.

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About Axway

Axway (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. More information is available at www.axway.com.