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Press Release

1st half 2012: Axway holds up well in a difficult climate

- Strong growth in the US and Northern Europe;
- Fall in demand in key sectors in France;
- Investment levels maintained to further the development project;
- Stable margins expected thanks to anticipated global return to growth in the second half of the year.

Paris, 1 August 2012. At its meeting on 31 July 2012 chaired by Pierre Pasquier, the Board of Directors of Axway Software approved the 1st half 2012 accounts. Thanks to a balanced spread of its business (by region and type), Axway held up well despite a significant fall in the licences sold, particularly in France.

- Revenue was €98.4 M
- Operating profit on business activity was €5.5 M, representing a margin of 5.6%
- Net profit was €2.6 M, representing a 2.6% margin.

	S1 2012		S1 2011		FY 2010	
	(in M€) (% Rev)		(in M€) (% Rev)		(in M€) (% Rev)	
Key income statement items						
Revenue	98.4		100.0		217.2	
<i>Organic growth</i>	-4.5%		6.5%		5.7%	
Profit on operating activities	5.5	5.6%	10.3	10.3%	35.3	16.3%
Profit from recurring operations	3.9	4.0%	9.4	9.4%	33.3	15.5%
Other income and expense	-0.9		-3.4		-4.0	
Net financial costs and currency impact	-0.2		-1.9		-2.7	
Income Taxes	0.0		-1.1		-5.2	
Net profit	2.6	2.6%	2.9	2.9%	21.5	9.9%
	(in €)		(in €)		(in €)	
Basic net earnings per share	0.13		0.18		1.20	

Comments on revenue

By region
(in M€)

	2012	2011 Published	2011 Pro Forma	Total Growth	Organic Growth ¹
1st Quarter					
Europe	28.4	29.1	29.4	-2.4%	-3.2%
America's	16.3	17.0	17.4	-4.2%	-6.2%
Asia/Pacific	1.2	1.2	1.3	5.7%	-4.4%
Axway	46.0	47.3	48.0	-2.9%	-4.3%
2nd Quarter					
Europe	29.2	34.3	34.8	-14.7%	-16.0%
America's	21.7	17.0	18.6	27.6%	17.0%
Asia/Pacific	1.4	1.4	1.6	2.9%	-10.1%
Axway	52.4	52.7	55.0	-0.6%	-4.7%
1st Semester					
Europe	57.7	63.4	64.1	-9.1%	-10.1%
America's	38.0	34.0	36.0	11.8%	5.8%
Asia/Pacific	2.7	2.6	2.9	4.2%	-7.5%
Axway	98.4	100.0	103.0	-1.6%	-4.5%

(1) At constant exchange rates and scope of consolidation

Axway's 1st half 2012 revenue reflects very different situations across the geographical areas. Revenue was up in the US, Germany and the UK, notably increasing by more than 17% in the 2nd Quarter in the US, thanks to excellent performance from its commercial portfolios, in terms of both quality and volumes. There was a further deterioration of the economic climate in Southern Europe (France, Spain and Italy) in the 2nd Quarter which resulted in licence orders being suspended or postponed, particularly in the group's key sectors (finance, the public sector).

By activity
(in M€)

	2012	2011 Published	2011 Pro Forma	Total Growth	Organic Growth ¹
1st Quarter					
Licenses	9.4	13.6	13.9	-31.0%	-32.5%
Maintenance	23.2	20.4	20.8	13.8%	11.8%
Services	13.4	13.3	13.4	0.2%	-0.1%
	46.0	47.3	48.0	-2.9%	-4.3%
2nd Quarter					
Licenses	15.2	18.3	19.1	-17.1%	-20.5%
Maintenance	23.9	20.3	21.4	17.8%	11.6%
Services	13.3	14.1	14.4	-5.8%	-7.8%
Axway	52.4	52.7	55.0	-0.6%	-4.7%
1st Semester					
Licenses	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%
Axway	98.4	100.0	103.0	-1.6%	-4.5%

(1) At constant exchange rates and scope of consolidation

We have been facing a persistent downturn in Southern Europe for three quarters now and this has hit licence revenue hard. It is also affecting the services business, which is heavily reliant on the implementation of new licences. The upturn in the recurrent portion of our services business (Managed Services, Cloud) is expected to cushion the blow or offset this trend. Maintenance continues to perform extremely well and reflects Axway's long-term efforts to foster client loyalty and its regular initiatives to improve customer support.

The global fall in revenue had a direct impact on margins (the operating margin in particular) which fell from 10.3% (first half 2011) to 5.6%. This reflects Axway's determination to pursue its investments with the aim of holding onto its competitive advantage, which remains intact and is a key factor in its growth. With no non-recurrent costs (such as the costs posted during the 2011 spin-off), net profit remained close to the level posted for 1st half 2011.

Financial position

As at 30 June 2012, Axway had a very robust financial position with a cash position of €40.9 M. Shareholders' equity stood at €217.9 M compared to the 30 June 2011 figure of €118.4 M. Axway had no outstanding bank or other debt at end June 2012 (debt of €60.0 M with the Sopra Group at end June 2011). No use was made of the bank credit facility (€100 M) put in place in June 2011.

Workforce

As at 30 June 2012, Axway's workforce numbered 1,765 employees (637 in France and 1,128 outside France), an increase of 10 on the 31 December 2011 figure (and up 45 on 30 June 2011).

Strategy

The implementation of infrastructure platforms remains key to driving the performance and flexibility of our IT systems. Investment has been frozen in this area but the situation cannot continue indefinitely without companies endangering their operational efficiency. Axway remains confident that its project to offer companies a benchmark platform is the way forward and, with this in mind, is continuing to invest in its product offering and sales strategy, whilst keeping a lookout for acquisition opportunities.

Outlook

Despite the fall in demand in its strategic sectors in France, a situation the company has been facing for several quarters now, business remains brisk in the US and Northern Europe and looks promising for the end of the year. Moreover, because of the seasonality of its revenue cycle, 2nd half performance, particularly in licences, is a decisive factor in overall annual performance. The company expects business to pick up in France in the second six months of the year and, on this basis, confirms its objective of achieving positive organic growth and very slightly increasing its operating margin for 2012 as a whole.

Financial Calendar

Thursday, 2 August 2012 at 14.30: Hotel Meurice – Paris: SFAF Analysts meeting.

Tuesday 6 November 2012: Publication of 3rd Quarter 2012 results

The company will publish its half-year financial report in French and English languages on 31 August 2012. The report will be available at <http://www.finance.axway.com> under the “Financial Documents” tab and also on the AMF website: www.amf-france.org.

About Axway

Axway (NYSE Euronext: AXW.PA), the Business Interaction Networks company, is a software company with more than 11,000 customers in 100 countries. For more than a decade, Axway has provided leading organizations around the world with proven technology solutions that exchange, integrate, manage, secure and govern the business-critical interactions that accelerate enterprise performance. Our award-winning solutions span business-to-business integration, managed file transfer, business operations monitoring, and email and identity security – offered on premise or in the Cloud together with professional and managed services.

Axway is registered in France with headquarters in the United States and offices around the globe. More information is available at <http://www.finance.axway.com>

Income Statement

(in thousands of euros)

	S1 2012	S1 2011	FY 2011
Revenue :			
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:	63,062	66,865	148,030
<i>as a % of Revenue</i>	64.1%	66.9%	68.1%
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	5,463	10,278	35,303
<i>as a % of Revenue</i>	5.6%	10.3%	16.3%
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>	4.0%	9.4%	15.5%
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>	2.6%	2.9%	9.9%

Simplified Balance Sheet

	30/06/2012 (in €m)	30/06/2011 (in €m)	31/12/2011 (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
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