2021

Interim Financial Report

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2021 Interim Financial Report

The world is opening.

Cross-pollenating new ideas, creating new possibilities across geographies, industries, and customers and partners. With every investment, old and new, opportunities for growth are blossoming. So what are you waiting for?

Axway will help turn what you already have into brilliant digital customer experiences. It's time to

Open

Are you open?

Everything

Open new revenue without opening new branches

The beauty of open banking is that your data cross-pollinates to an entire ecosystem of related services, bringing your customers an experience that gives them greater control wherever and whenever they are. Same branch. Countless blooms.

Are you open?

Half-year management report

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Key events in the first half of 2021

The key events in the first half of 2021 were as follows:

- solid H1 revenue growth to €138.4 million, up 5.2% organically year-on-year;
- half-year profit on operating activities of €10.5 million, or 7.6% of revenue, compared to €2.5 million (1.9%) in H1 2020;
- signature metric up 28.7% over the half-year;
- Q2 organic growth of 3.2%, with continued acceleration in Subscription (+34.6%).

Axway Software: solid revenue growth in H1 2021

In line with the start of the year, Axway achieved excellent sales performance in the second quarter of 2021. Throughout the first half of 2021, the Subscription business drove Axway's growth and this trend, supported by customers' increasing willingness to adopt flexible contractual models, should continue going forward. As recently presented at our Capital Markets Meeting, our strategy is now based on two fundamental pillars. On the one hand, our core market leading products, where satisfying our existing customers is our top priority and we aim to maintain our leadership. On the other hand, our Amplify offering, based on our recognised API Management solution, which should enable us to accelerate our growth through a more aggressive market share expansion strategy. This vision has led to many changes within our teams, the first effects of which are already visible. Over the last 6 months, new customer signatures have increased, and we further improved our Net Promoter Score. Our operational performance is satisfactory, with a fourfold increase in Profit from operating activities compared to the first half of 2020. These good results allow us to secure our annual targets although we expect the second half of the year to remain uncertain, split between the hope of a real return to normal and the risk of new disruptions worldwide.

First observations on the gradual deployment of the new strategic plan

Axway's business accelerated significantly in the first half of the year. The gradual deployment of the new strategic plan involved focused internal reorganisations with recruitment and the creation of new teams, while efforts to build the business pipeline continued.

Several important developments were observed during the period:

- Marketing investment created numerous business opportunities, both with existing customers and prospects. The use of digital events for the second consecutive year did not prevent the Company from interacting effectively with the various market stakeholders. In H1 2021, the Amplify pipeline grew by around 12% year-on-year;
- Axway's strategy of winning new API customers and market share is bearing fruit. Amplify new customer signings rose 50% in the first half of the year;
- Axway customer satisfaction continues to increase. The Company improved its Net Promoter Score once again, attaining 31 at 30 June 2021, compared to 25 at 31 December 2020, its previous high.

Business activity in the first half of 2021

In H1 2021, Axway generated revenue of €138.4 million, up 5.2% organically and 1.3% overall. While the consolidation scope did not change, currency fluctuations had a negative impact of €5.0 million on first-half revenue, mainly due to the weakening of the U.S. dollar and the Brazilian real against the euro. Profit on operating activities was €10.5 million, representing 7.6% of revenue compared with 1.9% in H1 2020.

Axway Software: Revenue by business line

(in millions of euros)	H1 2021	H1 2020	2020 Restated*	Total Growth	Organic Growth
License	9.3	10.5	10.0	-11.6%	-7.5%
Subscription	51.8	37.2	35.7	39.1%	45.0%
Maintenance	60.0	70.7	68.2	-15.1%	-12.0%
Services	17.3	18.2	17.6	-4.5%	-1.5%
Axway	**138.4**	**136.6**	**131.6**	**1.3%**	**5.2%**

* *At comparable scope and exchange rates*

License revenue was €9.3 million in H1 2021 (7% of total revenue), down 7.5% organically. While at the beginning of the year activity benefited from a more favourable comparison basis, license sales were again under pressure in the second half of the period. Although past seasonality suggests a slowdown in the decline in the second half of the year, the Company nevertheless anticipates a decrease in annual revenue and is unable to confirm at this stage whether a low point has been reached for the activity.

With organic growth of 45.0%, the **Subscription** activity generated revenue of €51.8 million in H1 2021. The activity accounted for 37% of Axway's H1 revenue, with total growth of 39.1%. While the acquisition of new customers accelerated, the Company continued to benefit from its extensive existing customer base, which is accelerating its migration to the most flexible contractual models. Sales performance confirmed these trends, as demonstrated by the signing of new Subscription contracts with an annual contract value (ACV) of €14.3 million during the first half, up 40.6% year-on-year.

The Signature Metric for January to June 2021 therefore improved 28.7%, while the Net Signature Metric, restated for Maintenance attrition, grew 20.8%.

Maintenance revenue reached €60.0 million in H1 2021, representing 43% of total revenue. As expected, activity declined 12.0% organically for the half-year. As customer adoption of more flexible contractual models leads to the migration of the value of certain Maintenance services to the Subscription revenue line, Axway anticipates an annual decline in this activity of over 10%.

Axway's recurring revenue, which includes Subscription and Maintenance activities, represented 81% of revenue in the first half of 2021, *i.e.*, €111.8 million, an increase of 2 points compared to H1 2020. This includes €22.4 million of upfront revenue recognised on the signature of Subscription contracts.

Impacted for more than a year now by the travel restrictions imposed by the health crisis, **Services** generated revenue of €17.3 million (13% of total revenue), almost stable organically year-on-year (-1.5%). While business grew in certain regions where remote services are possible, the situation remains very mixed from one country to another. Over the full year, Axway is targeting stable revenue for the activity.

Axway Software: Revenue by geographic area

(in millions of euros)	H1 2021	H1 2020	2020 Restated*	Total Growth	Organic Growth
France	39.4	40.9	40.9	-3.7%	-3.7%
Rest of Europe	33.9	29.6	29.7	14.8%	14.2%
Americas	57.1	59.3	54.1	-3.7%	5.6%
Asia Pacific	8.0	6.9	6.9	16.7%	16.3%
Axway	**138.4**	**136.6**	**131.6**	**1.3%**	**5.2%**

* *At comparable scope and exchange rates*

France reported revenue of €39.4 million in H1 2021 (28% of total revenue), an organic decline of 3.7%. After a dynamic start to the year for both Subscription and License sales, activity fell in Q2 2021 due mainly to a particularly unfavourable comparison basis.

The **Rest of Europe** zone grew organically by 14.2% in H1 2021, with revenue of €33.9 million, representing 25% of total revenue. The excellent Subscription momentum (+98.3%) more than offset the decline in revenue from other activities. This trend is explained by renewals and reinvestments by several of the largest Amplify customers eager to move to Subscription-based contracts.

The **Americas** (USA & Latin America) generated revenue of €57.1 million over the half-year (41% of total revenue), with organic growth of 5.6%. After significant operational changes at the end of last year, the Subscription activity has, as expected, accelerated significantly from Q2 2021. This recovery, combined with the resilience of the Services activity, explains the region's performance over the period.

Lastly, in the **Asia-Pacific** region, Axway achieved half-year revenue of €8.0 million (6% of total revenue), with organic growth of 16.3%. Thanks to strong License and Subscription growth, and more generally a return to normal business levels compared to the first half of 2020, Axway reported a good start to the year in the region.

First-half 2021 results

Profit on operating activities was €10.5 million, representing 7.6% of revenue compared with 1.9% in H1 2020. This significant improvement in profitability is primarily due to higher revenue, but also optimised cost management and the anticipated reduction in Research & Development expenses after the investment phase that was necessary to ramp up the Amplify offering.

Profit from recurring operations reached €5.0 million in H1 2021, 3.6% of revenue, including amortisation of allocated intangible assets of €3.2 million and the non-cash share-based payment expense of €2.3 million.

Operating profit for the half-year was €3.1 million, or 2.3% of revenue.

Axway's net profit amounted to €1.8 million for the half-year, or 1.3% of revenue.

Finally, basic earnings per share was €0.08 in H1 2021, a significant increase compared to H1 2020 (-€0.28).

	H1 2021		H1 2020	
	(in millions of euros)	*(% Revenue)*	*(in millions of euros)*	*(% Revenue)*
Revenue	**138.4**	**100.0%**	**136.6**	**100.0%**
Cost of sales				
License and Maintenance	-12.7	9.2%	-12.4	9.1%
Subscription	-13.5	9.8%	-14.5	10.6%
Services	-16.5	11.9%	-20.3	14.9%
Total Cost of sales	**-42.7**	**30.9%**	**-47.3**	**34.6%**
Gross profit	**95.7**	**69.1%**	**89.3**	**65.4%**
Operating expenses				
Sales costs	-43.3	31.3%	-43.5	31.8%
Research & Development expenditure	-29.0	20.9%	-30.4	22.3%
General expenses	-12.9	9.3%	-12.9	9.4%
Total operating expenses	**-85.1**	**61.5%**	**-86.8**	**63.5%**
Profit on operating activities	**10.5**	**7.6%**	**2.5**	**1.9%**
Share-based payment expense	-2.3		-2.0	
Amortisation of allocated intangible assets	-3.2		-4.3	
Profit/(loss) from recurring operations	**5.0**	**3.6%**	**-3.7**	**-2.7%**
Other operating income and expenses	-1.9		0.0	
Operating profit/(loss)	**3.1**	**2.3%**	**-3.7**	**-2.7%**
Cost of net financial debt	-0.7		-0.7	
Other financial income and expense	0.4		-1.8	
Income tax expense	-1.1		0.2	
Net profit/(loss)	**1.8**	**1.3%**	**-6.0**	**-4.4%**
Basic earnings per share (in euros)	**0.08**		**-0.28**	

Change in the workforce

Axway had 1,796 employees at 30 June 2021, *vs.*1,888 at 31 December 2020.

Financial position of the Group

At 30 June 2021, Axway had a solid financial position, with cash of €23.7 million and bank debt of €38.9 million.

Free cash flow amounted to €16.1 million in the first half of 2021 compared to €4.9 million a year earlier.

Shareholders' equity was €359.6 million at 30 June 2021, compared with €360.1 million at end-June 2020.

As a reminder, Axway renegotiated its bank lines until 2026, thereby securing financing of up to €125.0 million.

Main risks and uncertainties for the second half of 2021

The level and nature of risks to which the Group is subject are unchanged compared to the risk factors set out on pages 37 to 53 of the 2020 Universal Registration Document.

Among those, the risks most likely to impact business in the second half of the year are developments in the economic environment and the risk of new disruptions worldwide.

2021 Targets & Outlook

For 2021, Axway confirms its objective of achieving organic revenue growth of between 2% and 4%. The Company also confirms that it is aiming to improve its profitability with an operating margin of between 11% and 13% of revenue for the year.

In the medium term, Axway's ambitions remain:

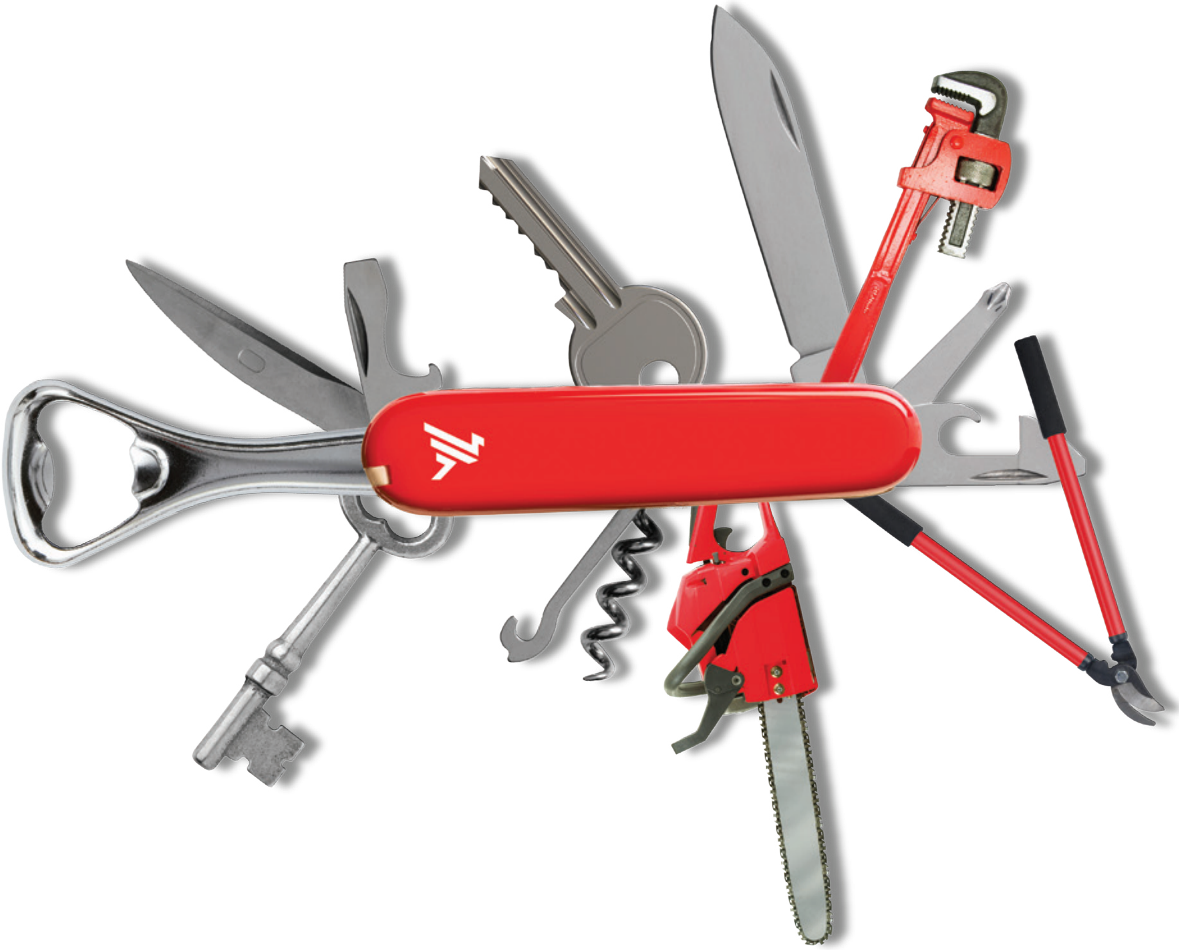
- to achieve revenue of €500 million through organic growth in sales and acquisitions;
- to return to operating margin on business activity rates above 15% and gradually move towards 20%;
- to sustainably increase earnings per share to above €1.

Events after the reporting period

Between 1 July 2021 and the date of the Board of Directors' meeting, there were no significant events likely to impact the financial statements.

Glossary – Alternative Performance Measures

- **Restated revenue:** Revenue for the prior period, adjusted for the consolidation scope and exchange rates of the current period.
- **Organic growth:** Growth in revenue between the prior period, restated for consolidated scope and exchange rate impacts, and the period under review.
- **Growth at constant exchange rates:** Growth in revenue between the prior period, restated for exchange rate impacts, and the period under review.
- **ACV:** Annual Contract Value – Annual contract value of a Subscription agreement.
- **TCV:** Total Contract Value – Full contracted value of a Subscription agreement over the contract term.
- **Signature metric:** Amount of License sales plus three times the annual value (3xACV) of new Subscription contracts signed over a given period.
- **Profit on operating activities:** Profit from recurring operations adjusted for the share-based payment expense for stock options and free shares, as well as the amortisation of allocated intangible assets.
- **NPS:** Net Promoter Score – Customer satisfaction and recommendation indicator for a product or a service.



Condensed interim consolidated financial statements

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Consolidated income statement

		H1 2021	H1 2020
(in thousands of euros)	**Notes**	**Amount**	**Amount**
Revenue	**3.4**	**138,411**	**136,589**
Employee costs	5.1	-93,195	-93,469
Purchases and external expenses	6	-28,820	-33,533
Taxes and duties		-1,720	-1,684
Depreciation and amortisation, provisions and impairment		-5,252	-6,432
Other current operating income and expenses		1,111	1,077
Profit on operating activities		**10,535**	**2,549**
as % of revenue excl. VAT		***7.6%***	***1.9%***
Share-based payment expense	7	-2,297	-1,961
Amortisation of allocated intangible assets		-3,239	-4,332
Profit/(loss) from recurring operations		**4,999**	**-3,744**
as % of revenue excl. VAT		***3.6%***	***-2.7%***
Other operating income and expenses	8	-1,859	4
Operating profit/(loss)		**3,140**	**-3,740**
as % of revenue excl. VAT		***2.3%***	***-2.7%***
Cost of net financial debt	9.1	-704	-677
Other financial income and expense	9.2	425	-1,835
Income tax expense	10	-1,078	243
Profit/(loss) for the period from continuing operations		**1,784**	**-6,009**
Profit/(loss) for the period		**1,784**	**-6,009**
as % of revenue excl. VAT		***1.3%***	***-4.4%***
of which attributable to non-controlling interests		-1	0
of which attributable to owners of the Company		**1,783**	**-6,009**

Net income per share - attributable to owners of the Company

(in euros)	**Notes**	**H1 2021**	**H1 2020**
Basic earnings per share	**11**	**0.08**	**-0.28**
Diluted earnings per share	**11**	**0.08**	**-0.27**

Statement of comprehensive income

(in thousands of euros)	H1 2021	H1 2020
Consolidated profit/(loss) for the period	**1,784**	**-6,009**
Other comprehensive income:		
Actuarial gains and losses on pension plans	283	82
Tax impact	-77	-24
Sub-total items that will not be reclassified subsequently to profit or loss	**205**	**58**
Share attributable to non-controlling interests	0	0
Exchange differences on translating foreign operations	7,087	1,857
Sub-total items that may be reclassified subsequently to profit or loss	**7,087**	**1,857**
Total other comprehensive income, net of tax	**7,292**	**1,915**
Total comprehensive income	**9,076**	**-4,094**
of which attributable to non-controlling interests	1	0
of which attributable to owners of the Company	**9,075**	**-4,094**

Consolidated statement of financial position

Assets *(in thousands of euros)*	Notes	30/06/2021	31/12/2020
Goodwill	12.1	337,343	330,306
Intangible assets		20,302	23,356
Property, plant and equipment		15,196	15,421
Right-of-use assets	13.1	25,566	28,935
Non-current financial and other assets		8,295	8,622
Deferred tax assets		17,875	16,289
Non-current assets		**424,578**	**422,929**
Trade receivables	14	85,960	88,085
Other current receivables		27,009	32,167
Cash and cash equivalents	16	23,718	16,165
Current assets		**136,686**	**136,417**
Total assets		**561,264**	**559,346**

Equity and liabilities *(in thousands of euros)*	Notes	30/06/2021	31/12/2020
Share capital		43,139	42,702
Capital reserves		112,550	111,541
Consolidated and other reserves		202,083	192,744
Profit for the period		1,783	8,476
Equity – attributable to owners of the Company		**359,554**	**355,463**
Non-controlling interests		**4**	**4**
Total equity	**15**	**359,559**	**355,466**
Financial debt – long-term portion	16	36,774	37,270
Lease liabilities - long-term portion	13	29,312	32,162
Deferred tax liabilities		3,488	2,298
Other non-current liabilities		10,656	10,761
Non-current liabilities		**80,231**	**82,490**
Financial debt – short-term portion	16	2,095	2,942
Lease liabilities - short-term portion	13	6,076	5,625
Trade accounts payables		10,766	13,778
Deferred revenue	17	72,256	54,692
Other current liabilities	18	30,281	44,353
Current liabilities		**121,474**	**121,390**
Total liabilities		**201,705**	**203,880**
Total equity and liabilities		**561,264**	**559,346**

Consolidated statement of changes in equity

						Attibutable to:		
(in thousands of euros)	Share capital	Capital reserves	Treasury shares	Reserves and consolidated profit	Other comprehensive income	Owners of the Company	Non-controlling interests	Total
Equity at 30/06/2020	**42,618**	**110,976**	**-871**	**179,495**	**27,864**	**360,082**	**2**	**360,084**
Capital transactions	85	564	-	-	-	649	-	649
Share-based payments	-	-	-	2,742	-	2,742	-	2,742
Transactions in treasury shares	-	-	157	163	-	320	-	320
Ordinary dividends	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Others movements	-	-	-	-15	16	1	0	0
Transactions with shareholers	**85**	**564**	**157**	**2,890**	**16**	**3,712**	**0**	**3,712**
Profit for the period	-	-	-	14,485	-	14,485	2	14,486
Other comprehensive income	-	-	-	-	-22,816	-22,816	0	-22,816
Total comprehensive income for the period	**-**	**-**	**-**	**14,485**	**-22,816**	**-8,331**	**2**	**-8,329**
Equity at 31/12/2020	**42,702**	**111,540**	**-714**	**196,869**	**5,065**	**355,463**	**4**	**355,466**
Capital transactions	436	1,009	-	-284	-	1,162	-	1,162
Share-based payments	-	-	-	2,049	-	2,049	-	2,049
Transactions in treasury shares	-	-	537	-110	-	428	-	428
Ordinary dividends	-	-	-	-8,623	-	-8,623	-	-8,623
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Others movements	-	-	-	2	-	2	0	1
Transactions with shareholers	**436**	**1,009**	**537**	**-6,966**	**-**	**-4,983**	**0**	**-4,983**
Profit for the period	-	-	-	1,783	-	1,783	1	1,784
Other comprehensive income	-	-	-	-	7,292	7,292	0	7,292
Total comprehensive income for the period	**-**	**-**	**-**	**1,783**	**7,292**	**9,075**	**1**	**9,076**
Equity at 30/06/2021	**43,139**	**112,550**	**-177**	**191,686**	**12,357**	**359,554**	**4**	**359,559**

Consolidated statement of cash flows

(in thousands of euros)	Notes	H1 2021	H1 2020
Consolidated net profit/(loss) (including share attributable to non-controlling interests)		**1,784**	**-6,009**
Net charges to depreciation, amortisation and provisions		9,192	10,095
Share-based payment expense	7	2,049	1,663
Gains and losses on disposal		864	10
Cash from operations after cost of net financial debt and tax		**13,889**	**5,759**
Cost of net financial debt	9.1	704	677
Income tax expense (including deferred tax)	10	1,078	-243
Cash from operations before cost of net financial debt and tax (A)		**15,670**	**6,194**
Tax paid (B)		-942	-521
Changes to operating working capital requirements (including liabilities related to employee benefits) (C)		7,527	4,951
Net cash from operating activities (D) = (A+B+C)		**22,255**	**10,624**
Purchase of intangible assets and PP&E		-2,462	-1,288
Proceeds from sale of intangible assets and PP&E		-13	-
Impact of changes in the scope of consolidation	12	-	-400
Change in loans and advances granted		-93	-10
Other cash flows from investing activities		4	7
Net cash from (used in) investing activities (E)		**-2,564**	**-1,690**
Proceeds from the exercise of stock options		1,144	-
Purchases and proceeds from disposal of treasury shares	7	-0	-201
Dividends paid to shareholders of the parent company		-8,623	-
Proceeds from borrowings		-	-
Repayment of borrowings	16	-1,304	-500
Change in lease liabilities	13	-3,364	-4,115
Net interest paid (including finance leases)		-303	-340
Other cash flows relating to financing activities		-20	-60
Net cash from (used in) financing activities (F)		**-12,471**	**-5,217**
Effect of foreign exchange rate changes (G)		331	-450
Net change in cash and cash equivalents (D+E+F+G)		**7,552**	**3,266**
Opening cash position		16,151	21,061
Closing cash position		23,702	24,328

The closing cash position is equal to Cash and cash equivalents less bank overdrafts.

Notes to the condensed interim consolidated financial statements

Contents of the financial statements notes

Note 1 Accounting principles

The condensed interim consolidated financial statements for the half-year ended 30 June 2021, together with the accompanying notes, were prepared under the responsibility of the Board of Directors and approved at its meeting of 27 July 2021.

1.1 Basis of preparation of the condensed interim consolidated financial statements

The consolidated financial statements for the half-year ended 30 June 2021 were prepared in accordance with IAS 34, *Interim Financial Reporting*, the IFRS published by the IASB (International Accounting Standards Board) and adopted by the European Union. These standards are available on the European Commission website: http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_fr.htm.

The accounting policies underlying the preparation of the condensed interim consolidated financial statements for the half-year ended 30 June 2021 are identical to those adopted for the consolidated financial statements for the year ended 31 December 2020 and described in Chapter 5, Note 1 of the 2020 Universal Registration Document filed on 18 March 2021 with the French Financial Markets Authority (AMF) under no. D.21-0147 and available on the Company's website at http://www.investors.axway.com, except for the new standards and interpretations applicable from 1 January 2021 and presented in Note 1.2.

These condensed interim consolidated financial statements are presented in thousands of euros, unless indicated otherwise.

1.2 Application of new standards and interpretations

The new standards, amendments to existing standards and interpretations adopted by the European Union and of mandatory application in fiscal years beginning on or after 1 January 2021 are as follows:

- amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16, *Interest rate benchmark reform, phase 2*. At this stage, the Group has not identified any material impact of this amendment;
- IFRIC Interpretation relating to IAS 38, *Intangible assets*, on configuration or customisation costs in a cloud computing arrangement. The impact of this definitive decision was taken into account in the Group's consolidated financial statements for the half-year ended 30 June 2021 and is not material;
- IFRIC Interpretation relating to IAS 19, *Employee benefits*, on attributing benefits to periods of service. The Group is conducting an analysis and at this stage it is not possible to estimate whether this decision will have a material impact on the valuation and recognition of its retirement benefit commitments.

In addition, the amendment to IFRS 16, *COVID-19 related rent concessions*, was extended to fiscal year 2021. It is not yet adopted by the European Union. This amendment offers an option to account for COVID-19-related rent concessions as if they were not lease modifications and recognise the impact immediately in profit and loss for the period. The Group did not identify any situations that could give rise to the application of this amendment in the first half of 2021.

1.3 Impact of the COVID-19 crisis on the condensed interim consolidated financial statements

In the first half of 2021,

- the COVID-19 pandemic had a marked impact on travel expenses and marketing costs (see Note 6, Purchases and external expenses);
- the Group did not receive any specific government mitigation measures;
- the COVID-19 crisis did not materially impact customer collections. At this stage, the Group has not identified any credit risk.

Due to current uncertainties, the Group paid particular attention when performing estimates and judgements for asset impairment purposes. Given its performance during the first half of 2021, past experience with respect to the impacts of the health crisis and the absence of any indication of impairment, the Group considered it unnecessary to perform impairment tests at 30 June 2021 (see Note 12.2, Impairment tests).

Note 2 Key events and scope of consolidation

Changes in the scope of consolidation

a. Deconsolidated entities

No entities were deconsolidated in the first six months of 2021.

b. Newly-consolidated entities

One new entity was included in the scope of consolidation in the first six months of 2021. The Group created a subsidiary in Switzerland, Axway Switzerland Sarl, to distribute Axway technologies and services in Switzerland.

This subsidiary was dormant in the first half of 2021.

Notes to the consolidated income statement

Note 3 Segment reporting

Axway is classified as a single sector group as it is not possible to determine profit on operating activities by activity sector based on either a regional or business analysis. The chief operating decision maker regularly reviews revenue by business line and region, as well as consolidated profit on operating activities.

3.1 Revenue by business line

(in thousands of euros)	H1 2021		H1 2020	
License	9,282	6.7%	10,503	7.7%
Subscription	51,794	37.4%	37,235	27.3%
Maintenance	59,996	43.3%	70,695	51.8%
Services	17,339	12.5%	18,155	13.3%
Total revenue	**138,411**	**100.0%**	**136,589**	**100.0%**

Axway's recurring revenue, which includes Subscription and Maintenance activities, represented 81% of revenue in the first half of 2021, *i.e.* €111.8 million. It includes initial upfront revenue of €22.4 million, compared to €11.8 million in the first half of 2020.

The Group's main clients do not account for more than 10% of revenue individually. Axway's dependency on its main clients is low.

3.2 Revenue by region

(in thousands of euros)	H1 2021		H1 2020	
France	39,361	28.4%	40,877	29.9%
Rest of Europe	33,947	24.5%	29,570	21.6%
United States	55,419	40.0%	57,653	42.2%
Other Americas	1,674	1.2%	1,623	1.2%
Asia-Pacific	8,009	5.8%	6,865	5.0%
Total revenue	**138,411**	**100.0%**	**136,589**	**100.0%**

Change in presentation: from fiscal year 2021, the Group communicates the amount of revenue allocated to France, where its registered office is located, and to the United States, a material country, reporting revenue of over 10% of Group revenue.

Presentation of revenue by region: not restated; format used in the Interim financial report until 2020.

(in thousands of euros)	H1 2021		H1 2020	
Europe	73,309	53.0%	70,447	51.6%
Americas	57,093	41.2%	59,276	43.4%
Asia-Pacific	8,009	5.8%	6,865	5.0%
Total revenue	**138,411**	**100.0%**	**136,589**	**100.0%**

Note 4 Revenue

4.1 Revenue by business line

The breakdown by business line is presented in Note 3.1, Revenue by business line.

4.2 International operations

The breakdown by region is presented in Note 3.2, Revenue by region.

Note 5 Employee costs

5.1. Breakdown of employee costs

(in thousands of euros)	H1 2021	H1 2020
Salaries	78,864	78,431
Social security contributions	18,505	19,493
Research tax credits	-4,494	-4,854
Employee profit-sharing	152	363
Net expense for post employment and similar benefit obligations	168	35
Total employee costs	**93,195**	**93,469**

Employee costs accounted for 67.3% of H1 2021 revenue, comparable with 2020 (68.4%).

Research tax credits totalled €4.5 million in H1 2020, down €0.4 million. Research & Development expenditure expensed in H1 2021 totalled €29 million, compared to €30.4 million in H1 2020 (see Section “First-half 2021 results”).

5.2 Workforce

Number of employees at 30 June	H1 2021	H1 2020
France	473	471
International	1,323	1,414
Total	**1,796**	**1,885**

At 30 June 2021, Axway had 1,796 employees (26% in France and 74% internationally), down 89 on 31 December 2020 which was comparable to 30 June 2020. This decrease mainly concerns Research and development employees following completion of the investment phase that was necessary to ramp up the Amplify offering.

Average number of employees	H1 2021	H1 2020
France	478	468
International	1,365	1,401
Total	**1,843**	**1,869**

Note 6 Purchases and external expenses

(in thousands of euros)	H1 2021	H1 2020
Purchases of subcontracting services	13,401	10,854
Purchases not for inventory of equipement and supplies	73	816
Purchases and change in stock of merchandise	178	4,242
Total purchases	**13,652**	**15,912**

Purchases of subcontracting services mainly comprise cloud hosting costs that were considerable given the growth of the Subscription activity.

In the first half of 2021, the Group optimised purchases saving €1.4 million.

An amount of €4.1 million was reclassified from Purchases and change in stock of merchandise to Purchases of subcontracting services.

(in thousands of euros)	H1 2021	H1 2020
Rent and rental charges	4,344	4,784
Lease expenses – IFRS 16 adjustment	-2,861	-3,441
Maintenance and repairs	4,484	4,230
External structure personnel	36	54
Remuneration of intermediaries and fees	2,813	3,022
Advertising and public relations	1,883	1,801
Travel and entertainment	412	1,643
Telecommunications	890	1,306
Sundry	3,167	4,223
Total external expenses	**15,168**	**17,621**

With the optimisation of its expenses and lockdowns in France and worldwide, the Group reported a €1.1 million decline in costs relating to marketing events and seminars and a €1.2 million decline in travel expenses.

Note 7 Share-based and similar payment expenses

In H1 2021, no new free share grant plans were set up. The current plans are described in Chapter 5, Note 5.4, "Consolidated financial statements" of the 2020 Universal Registration Document.

Expenses relating to free performance share grant plans totalled €2.3 million in H1 2021, compared to €2.0 million in H1 2020. This increase was primarily due to the recognition of a new plan granted in the second half of 2020 (€0.7 million) and the update at 30 June of grants based on presence and performance criteria for existing plans.

The June 2018 free share grant plan, "LTI PLAN C", was settled in the first half of 2021 with the presentation of 154,865 shares to the Axway Leadership team, members of the Executive Committee and other persons regarded as key for the Axway Group. The shares allocated to the various beneficiaries comprise 141,881 new shares issued by the Group in H1 2021 and 12,984 shares purchased on the market in 2020.

Note 8 Other operating income and expenses

The Group launched a restructuring plan in the United States in the first half of 2021 for a total of €1.6 million. This plan is not linked to the COVID-19 pandemic and involved:

- the departure of 17 employees for total compensation of €0.7 million;
- the closure of the Santa Clara offices in California for a total cost of €0.9 million, including impairment of the net carrying amount of the lease contract right-of-use of €0.7 million.

In addition, the Group recorded the cost of implementing the Workday Cloud ERP system in Other operating expenses. These non-recurring material costs totalled €0.2 million in H1 2021. The Group expects these costs to increase significantly in the second half of 2021.

Note 9 Financial income and expense

9.1 Cost of net financial debt

(in thousands of euros)	H1 2021	H1 2020
Income from cash management	-4	-7
Interest expense	294	340
Cost of net financial debt	**290**	**333**
Net interest on lease liabilities	413	344
Total cost of net financial debt	**704**	**677**

The application of IFRS 16 increases the cost of net financial debt by €0.4 million in H1 2021, representing a weighted average marginal interest rate of 2.3%.

9.2 Other financial income and expenses

(in thousands of euros)	H1 2021	H1 2020
Foreign exchange gains and losses	**-399**	**1,974**
Reversal of provisions	-	5
Other financial income	-43	-
Total foreign exchange gains/losses and other financial income	**-442**	**1,979**
Charges to provisions	-	-5
Discounting of retirement benefit commitments	17	36
Change in the value of derivatives	-126	-176
Other financial expenses	126	0
Total other financial expense	**17**	**-144**
Total other financial income and expense	**-425**	**1,835**

Foreign exchange gains and losses include unrealised foreign exchange gains of €0.4 million. In H1 2020, the Group recognised unrealised foreign exchange losses of €1.8 million, including €1.2 million relating to intra-company invoices payable by Axway Brazil to other Group companies.

Note 10 Income tax expense

(in thousands of euros)	H1 2021	H1 2020
Current tax	1,140	1,045
Deferred tax	-62	-1,288
Total income tax expense	**1,078**	**-243**

The Group effective tax rate is 37.67% in H1 2021, compared to 3.88% in H1 2020.

Deferred tax assets arising from tax losses carried forward are recognised if the subsidiaries or the tax consolidation group are likely to have sufficient taxable earnings to use them.

At 30 June 2021, future profit forecasts for Axway Software SA in France and Axway Inc. in the United States enabled the capitalisation of additional losses compared to 31 December 2020.

Axway Software

At 30 June 2021, capitalised tax losses stood at €11.2 million (in deferred tax assets), compared to €9.8 million at 31 December 2020.

Axway Inc.

At 30 June 2021, capitalised tax losses stood at US$18.0 million (in deferred tax assets), compared to US$17.6 million at 31 December 2020.

At 30 June 2021, **deferred tax assets not recognised** in respect of tax losses available for carry forward amounted to €24.6 million and concerned the following subsidiaries: Axway Inc. in the United States (€11.7 million), Axway Software SA in France (€1.3 million), Axway Ireland (€2.9 million), Axway SRL in Italy (€3.2 million), Axway Software Do Brazil Ltda in Brazil (€2.0 million), Axway Romania (€2.7 million) and Axway Pte Ltd in Singapore (€0.7 million).

Axway Inc. in the United States receives **research tax credits**. These tax credits may be used to pay corporate income tax due in the 20 years following the year in respect of which the tax credits were recognised. Any excess not offset is not reimbursed.

Axway Inc. research tax credits were received each year between 2001 and 2021. At 30 June 2021, we estimate the total amount of research tax credits available for offset against taxable profits at US$51.6 million (taxable base). These tax credits are recorded in deferred tax assets not capitalised as their probable date of utilisation is too far away. Based on substantiating evidence and detailed business plan estimates, the US$51.6 million in tax credits could be used between 2025 and 2041.

In connection with the acquisition of Streamdata.io and its comprehensive asset transfer to Axway Software, an **authorisation request for the transfer of around €10 million in tax losses** was filed with the French tax authorities in June 2019. At 30 June 2021, authorisation is currently pending. These tax losses were not capitalised in the Group financial statements.

Note 11 Earnings per share

(in euros)	H1 2021	H1 2020
Net income - attributable to owners of the Company	1,782,958	-6,008,845
Weighted average number of ordinary shares outstanding	21,455,034	21,267,257
Basic earnings per share	**0.08**	**-0.28**

(in euros)	H1 2021	H1 2020
Net income - attributable to owners of the Company	1,782,958	-6,008,845
Weighted average number of ordinary shares outstanding	21,455,034	21,267,257
Weighted average number of securities taken into account in respect of dilutive items	891,490	813,253
Weighted average number of shares taken into account to calculate diluted earnings per share	22,346,523	22,080,510
Diluted earnings per share	**0.08**	**-0.27**

Notes to the consolidated statement of financial position

Note 12 Goodwill

12.1 Changes in goodwill

Movements in the first half of the year were as follows:

(in thousands of euros)	Gross value	Impairment	Net
31 December 2020	**338,958**	**8,652**	**330,306**
Acquisitions	-	-	-
Translation adjustments	7,024	-14	7,038
30 June 2021	**345,981**	**8,638**	**337,343**

Exchange rate impacts on goodwill mainly concern fluctuations in the euro against the US dollar for €7.2 million.

12.2 Impairment tests

At 30 June 2021, the market value of the Axway Group on Euronext is €610.4 million, in excess of consolidated shareholders' equity at the same date of €359.6 million. Pursuant to IAS 36, *Impairment of assets*, it is not therefore necessary to determine Axway's value in use at 30 June 2021.

Due to current uncertainties, the Group paid particular attention when performing estimates and judgements for asset impairment purposes. Given its performance, with revenue and cash flows in line with business plan objectives in H1 2021, past experience with respect to the impacts of the health crisis and the absence of any indication of impairment, the Group considered it was not necessary to conduct impairment tests at 30 June 2021.

For information purposes, Axway's value in use was determined at 31 December 2020 to comply with AMF recommendations in the context of the COVID-19 crisis. This impairment test was conducted using the discounted cash flow method and Axway was valued at €723.4 million. At 30 June 2021, the Group retained this valuation of €723.4 million and the key assumptions adopted at 31 December 2020.

Note 13 Leases

13.1 Lease right-of-use assets by category

(in thousands of euros)	Leased properties	Leased vehicles	Total
Gross value			
31 December 2020	**38,252**	**1,078**	**39,330**
Changes in scope of consolidation	-	-	-
Acquisitions	23	89	112
Disposals – assets scrapped	-188	-	-188
Others movements	-	-3	-3
Translation adjustments	379	-	379
30 June 2021	**38,465**	**1,164**	**39,630**
Depreciation			
31 December 2020	**-9,820**	**-575**	**-10,395**
Changes in scope of consolidation	-	-	-
Charges	-3,452	-143	-3,595
Disposals – assets scrapped	-	-	-
Others movements	1	3	4
Translation adjustments	-79	-	-79
30 June 2021	**-13,349**	**-715**	**-14,064**
Net value			
31 December 2020	**28,432**	**503**	**28,935**
30 June 2021	**25,116**	**450**	**25,566**

As part of the United States restructuring plan, the right to use the Santa Clara premises was impaired in full in the amount of €0.7 million, in accordance with IAS 36, *Impairment of assets*. This impairment is recorded in Other operating expenses in the Income statement.

13.2 Debt maturity of lease liabilities

				Breakdown of non-current liabilities				
(in thousands of euros)	Carrying amount	Current	Non-current	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Beyond 5 years
Lease liabilities	**35,388**	**6,076**	**29,312**	**5,442**	**5,404**	**4,741**	**4,469**	**9,255**

Note 14 Trade receivables

(in thousands of euros)	30/06/2021	31/12/2020
Trade receivables	36,459	50,783
Provision for doubtful receivables	-1,068	-1,686
Trade receivables – net value	**35,391**	**49,097**
Accrued income	50,569	38,988
Total trade receivables	**85,960**	**88,085**

At 30 June 2021, Net trade receivables, expressed in business days, totalled 94 days, up compared to 30 June 2020 (70 days) due to an increase in accrued income.

The €13.7 million decrease in Trade receivables is mainly due to revenue seasonality. The number of new trade receivables generated is higher in the fourth quarter when invoices are issued for licenses and Customer Managed Subscriptions sold at the year end.

The rise in Accrued income was primarily due to the recording of Customer Managed Subscription revenue, including on-premise services recognised in revenue upon delivery and invoiced over the contract term. DSO for this line item at 30 June 2021 is 55 days, compared to 22 days at 31 December 2020. This increase is due to further strong growth in Customer Managed revenue in H1 2021.

Note 15 Equity

15.1 Changes in the share capital

At 31 December 2020, the share capital stood at €42,702,132, and comprised 21,351,066 fully paid-up shares with a par value of €2.00 each.

A share capital increase by capitalisation of reserves was performed in H1 2021 and 141,881 new shares were issued. This transaction was performed to deliver 154,865 shares to 49 beneficiaries under the LTI C plan whose vesting period expired on 31 March 2021.

At 30 June 2021, the share capital therefore stood at €43,138,520, comprising 21,569,260 fully-paid up shares with a par value of €2.00 each.

15.2 Dividends

The General Meeting of Axway Software held on 25 May 2021 to approve the 2020 financial statements approved a dividend of €0.40 per share, representing a total distribution of €8.6 million. This dividend was paid on 18 June 2021, net of the dividend on treasury shares.

One year earlier, faced with the global COVID-19 crisis, the Axway Software General Meeting held on 3 June 2020 to approve the 2019 financial statements, decided, at the recommendation of the Axway Board of Directors, not to distribute a dividend in respect of fiscal year 2019.

Note 16 Financial debt – Net debt

Net debt is €15.2 million at 30 June 2021, compared to €24.0 million at 31 December 2020 and breaks down as follows:

(in thousands of euros)	Current	Non-current	30/06/2021	31/12/2020
Bank borrowings	2,130	36,774	38,904	40,217
Other financial liabilities	-50	-	-50	-20
Bank overdrafts	16	-	16	14
Financial debt	**2,095**	**36,774**	**38,869**	**40,211**
Cash and cash equivalents	-23,718	-	-23,718	-16,165
Net debt	**-21,623**	**36,774**	**15,152**	**24,046**

The Group has a €125 million multi-currency revolving credit facility (RCF). An "Amendment and maturity extension" agreement was signed on 31 January 2019, reducing the margin scale and relaxing the financial covenants. The initial maturity of July 2021 was directly set at January 2024 and then further extended to January 2026. In addition, the Group was granted increased flexibility by its banks for acquisitions of less than €50 million, with no prior documentation now required.

At 30 June 2021, €89 million of the RCF remained available, representing a utilisation rate of 29%. The RCF is drawn in the amount of €36 million. This draw-down replaced the US$45 million draw-down initially used to finance the acquisition of Syncplicity in 2017.

Three financial ratios, calculated using the published consolidated financial statements, on a 12-month sliding basis, must be met under the covenants:

- "Net debt/EBITDA" ratio;
- "EBITDA/Financial expenses" ratio;
- "Net debt/Shareholders' equity" ratio.

Note that net debt does not include employee profit-sharing liabilities or IFRS 16 lease liabilities, to maintain a constant calculation method.

At 30 June 2021, these financial covenant are all met.

The Group also secured loans in 2015 and 2016 from Banque Populaire and BPI France totalling €18 million. Outstanding capital on these borrowings at 30 June 2021 is €2.9 million.

Note 17 Current deferred income

(in thousands of euros)	30/06/2021	31/12/2020
Customer contract liabilities	72,256	54,692
Total current customer contract liabilities	**72,256**	**54,692**

Current deferred income, representing customer contract liabilities, is presented in Note 4.1 to the 2020 Universal Registration Document. Movements reflect:

- the recognition of prior-year deferred income in revenue;
- the transfer of prior-year non-current deferred income to current deferred income;
- the emergence of new liabilities as a result of services invoiced but not yet fulfilled.

To avoid the overstatement of asset and liability accounts, deferred income concerning periods after 1 January (1 January 2021 for this period) and the corresponding trade receivables not settled at the previous reporting date (31 December 2020) were offset in the balance sheet at 31 December 2020. There was no offset at 30 June.

The majority of current customer contract liabilities at 31 December 2020 were recognised in revenue in the first half of 2021.

Compared to 31 December 2020, current deferred income increased mainly due to the reverse offsetting of deferred income at 30 June 2021.

Note 18 Other current liabilities

(in thousands of euros)	30/06/2021	31/12/2020
Amounts payable on non-current assets	144	276
Advances and payments on account received for orders	85	105
Employee-related liabilities	23,178	34,122
Tax payables (other than income tax)	3,696	5,840
Income tax	851	1,369
Other liabilities	2,328	2,640
Total other current liabilities	**30,281**	**44,353**

The decrease in employee-related liabilities is due to the impact of seasonality on variable compensation provided in the accounts, which is primarily based on revenue. Provisions are lower at 30 June than 31 December.

Other information

Note 19 Related-party transactions

Agreements entered into with parties related to the Axway Group were identified in Note 4.2 "Related-party transactions" in Axway's 2020 Universal Registration Document, filed with the French Financial Markets Authority (AMF) on 18 March 2021, under no. D. 21-0147 and available on the Company's website at http://www.investors.axway.com. The Axway 2020 Universal Registration Document also includes the Statutory Auditors report on regulated agreements.

Excluding those agreements described in the 2020 Universal Registration Document, to the best of the Company's knowledge, there were no new Axway Group related-party agreements in H1 2021 likely to have a material impact on the Company's financial position or results during the period.

Note 20 Off-balance-sheet commitments and contingent liabilities

The Group's off-balance sheet commitments are granted or received by Axway and its subsidiaries. These commitments have not significantly changed since 31 December 2020.

At 30 June 2021, the Group complied with all covenants and commitments under the syndicated credit facility.

Note that net debt used in the calculations does not include the impacts of application of IFRS 16, *Leases*, or employee profit-sharing liabilities.

The syndicated credit facility totals €125 million and has been extended and will mature in January 2026. In addition, the Group was granted increased flexibility by its banks for acquisitions of less than €50 million, with no prior documentation now required.

Three financial ratios must be met under covenants. These ratios are:

- "Net debt/EBITDA" ratio below 3.0 throughout the term of the loan. This ratio was 0.41 at 30 June 2021 (0.66 at 31 December 2020);
- "EBITDA/Financial expenses" ratio above 5.0 throughout the term of the loan. This ratio was 66.58 at 30 June 2021 (60.61 at 31 December 2020);
- "Net debt/Shareholders' equity" ratio below 1.0 throughout the term of the loan. This ratio was 0.04 at 30 June 2021 (0.07 at 31 December 2020).

The €36 million credit line on the RCF (Revolving Credit Facility) present at 31 December 2020 is still present at 30 June 2021, bringing the available amount of the syndicated facility to €89 million.

As part of commitments received, Axway Software also enjoys an unused overdraft line of €20 million.

Note 21 Exceptional events and legal disputes

To the best of the Group's knowledge, and notwithstanding the information provided herein, at the date of this report, no disputes or litigation known or ongoing could have a significant negative impact on the Group's financial position.

Note 22 Events after the reporting period

Between 1 July 2021 and the date of the Board of Directors' meeting, there were no significant events likely to impact the financial statements.

Statutory Auditors’ report on the interim financial statements

3

This is a translation into English of the Statutory Auditors’ report on the interim financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Dear Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we have:

- conducted a limited review of the accompanying condensed interim consolidated financial statements of Axway Software for the period from 1 January to 30 June 2021;
- verified the information provided in the half-year management report.

Due to the global crisis related to the COVID-19 pandemic, the condensed interim consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies’ internal organisation and the performance of our procedures.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

I Conclusion on the financial statements

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

A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Based on our limited review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements are not prepared in all material respects in accordance with IAS 34, as adopted by the European Union applicable to interim financial information.

II Specific verification

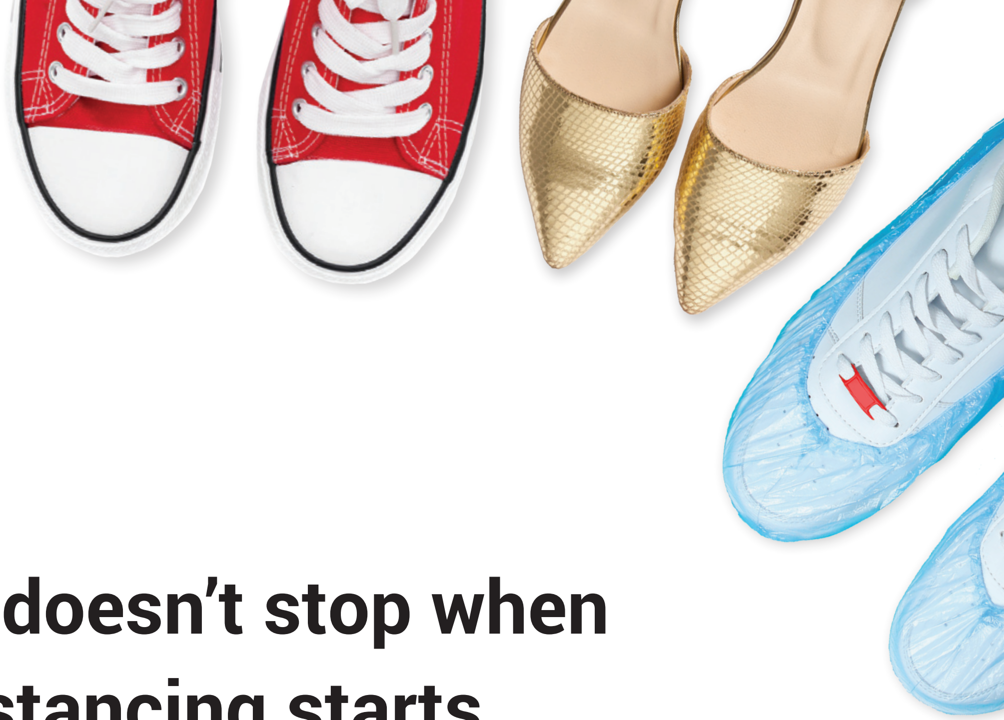
We have also verified the information presented in the half-year management report commenting on the condensed interim consolidated financial statements that were the subject of our limited review.

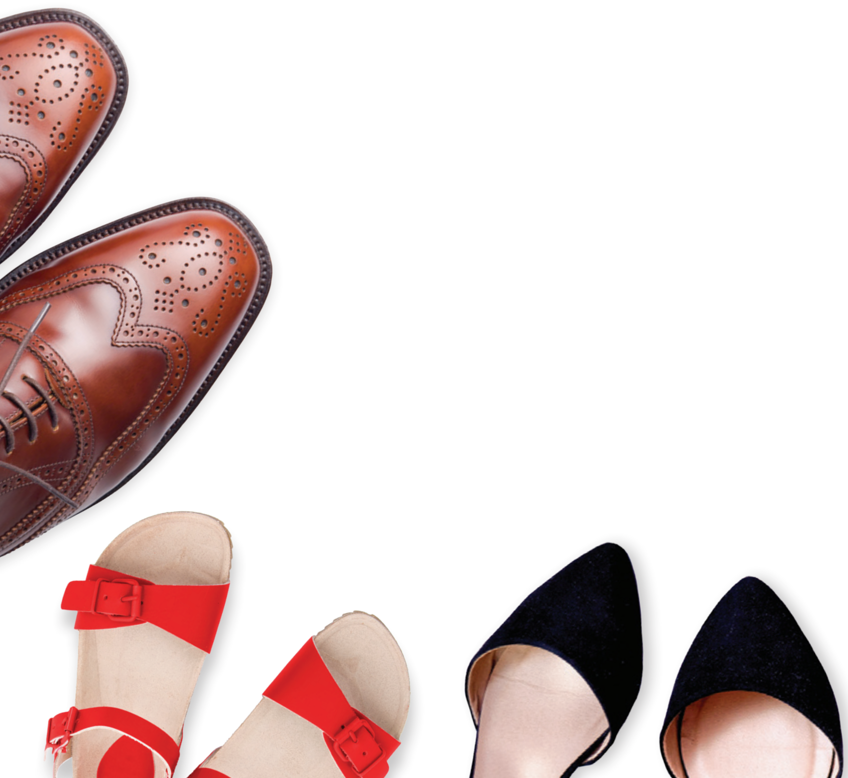
We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris La Défense, 30 July 2021

The Statutory Auditors

Aca Nexia	**Mazars**
Sandrine Gimat	Jérôme Neyret
Partner	Partner





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Declaration by the person responsible for the interim financial report

"I declare that, to the best of my knowledge, the condensed consolidated financial statements for the half-year ended 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 of all the entities included in the scope of consolidation, and that this Interim financial report provides a fair review of the significant events that occurred in the first six months of the fiscal year and their impact on the financial statements, and of the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year."

Paris La Défense, 30 July 2021

Patrick Donovan

Chief Executive Officer

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That’s Us. That’s Axway.

Axway turns your heritage infrastructure into brilliant digital customer experiences, extending the value of your previous investments, adding new business capabilities, and putting you on a future-proof platform to drive your growth ambitions. For over 20 years, Axway’s mission critical solutions have been crucial to your customers’ daily lives and, together, we’ll continue to delight them for the next 20.

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