2020 Interim Financial Report

Contents

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Half-year management report

Key events in the first half of 2020

The key events in the first half of 2020 were as follows:

- robust performance in the context of an unprecedented health and economic crisis;
- return to growth, strategic progress and acquisition of new customers in Q2 2020;
- Q2 revenue up 0.7% backed by a further acceleration in Subscription sales, up 73.7%;
- significant growth of 26.3% in the Signature Metric in H1 2020;
- half-year profit on operating activities of €2.5 million, or 1.9% of revenue.

Strong growth in Subscription thanks to continued customer trust and commitment

Axway was not spared by the unprecedented context of the first half of 2020. The COVID-19 pandemic had a significant impact on activity levels, forcing the Group to rapidly adapt its working practices to support its customers under the best possible conditions. In addition to our return to growth in the second quarter, Axway is very proud that in an uncertain environment:

- Subscription activity continued its strong growth, as did new customer acquisition;
- customer confidence is growing, with customers continuing to rely on the Group to help them succeed in their critical integration projects;
- NPS[1] reached an all-time high, reflecting the effectiveness of the Company's strategy focused on operational success.

Brand image continues to build in value. At a time when market analysts believe that companies are ready to invest record amounts to continue accelerating their digital transformation, Axway launched its "Open Everything" campaign in the second quarter of 2020. The aim is to position Axway as a major innovation and competitiveness player in the evolution of existing infrastructures, which must be able to keep pace with the rapid transformation of consumer expectations.

Response to the weakened economic environment and continued strategic development

Following the implementation of a priority action plan to address the COVID-19 crisis in mid-March 2020, Axway rapidly adapted its sales and marketing and, more generally, its customer engagement practices in the second quarter to limit the impact of restrictions imposed by the pandemic. Due to travel restrictions and the inability to bring together the various market stakeholders, all commercial events that usually punctuate the first half of the year were held virtually. This included the Imagine Summit, which brings together Axway's customers and partners each year.

These developments did not stop the Imagine Summit from attracting a record number of participants and boosting customer engagement. These digital events proved particularly effective in rebuilding the business pipeline, which was initially impacted by the suddenness of the crisis.

In addition, as announced on 16 July, the Company welcomed two new key members to its executive management team. Rahim Bhatia and Mark Fairbrother joined the Group as EVP Product Management and EVP R&D, respectively, and are responsible for Axway's product portfolio roadmap and ensuring the portfolio's development.

(1) NPS: Net Promoter Score – See glossary.

Business activity in the first half of 2020

In the first half of 2020, Axway generated revenue of €136.6 million, down 2.0% organically and 1.4% overall. While the scope of consolidation changed only marginally due to the integration of Streamdata.io on 1 April 2019, currency fluctuations had a positive impact of €0.9 million on the Group's half-year revenue. Profit from operating activities totalled €2.5 million for the period, representing 1.9% of revenue, compared with 1.8% for the first half of 2019.

Revenue by business line

(in millions of euros)	H1 2020	H1 2019	2019 restated[1]	Total growth	Organic growth
License	10.5	21.8	21.9	-51.9%	-52.0%
Subscription	37.2	23.1	23.5	60.9%	58.5%
Maintenance	70.7	72.1	72.5	-1.9%	-2.5%
Services	18.2	21.5	21.5	-15.7%	-15.7%
Axway	**136.6**	**138.5**	**139.4**	**-1.4%**	**-2.0%**

(1) At comparable scope and exchange rates.

License revenue was €10.5 million (8% of Group revenue) in the first half of 2020, representing an organic decrease of 52.0%. While market trends have largely favoured Subscription models for several half-years, the License activity, which involves a significant initial investment by customers, remained under pressure in Q2 2020 as anticipated. Whereas License sales are historically concentrated in the second half of the year, the unprecedented situation in the first half of 2020 seems to have played a role in accelerating the shift in customers' needs, as they favour flexibility in an uncertain environment.

The **Subscription** activity, which has been growing steadily since the beginning of 2017, continued to make significant progress and generated revenue of €37.2 million in the first half of 2020, representing organic growth of 58.5%. The activity accounted for 27% of Axway's half-year revenue and grew 60.9% overall. This performance is mainly due to the significant progress achieved by the Company in the past two years in customer satisfaction, a key pillar of a successful Subscription model. While AMPLIFY's offerings continue to convince more and more companies seeking to accelerate their digital transformation while capitalising on their existing software infrastructures, the Group's ambition to become a leader in the HIP market is gradually taking shape. The API Management offering is a preferred route to hybrid integration and clearly accelerated over the period. Its success illustrates this trend well and confirms the relevance of the Group's recent investments in R&D, Sales, Marketing and Go-to-Market.

The Annual Contract Value (ACV) of new Subscription contracts signed reached €10.2 million in the first half of 2020, representing organic growth of 187.6% year-on-year. Following Q1 growth of around 140%, ACV increased over 200% in Q2 2020.

Thus, between January and June 2020, the Signature Metric grew by 26.3% organically, mainly driven by strong momentum in new Subscription contract signatures, which offset the decline in License sales.

Maintenance activities generated revenue of €70.7 million in the first half of 2020, representing nearly 52% of Axway's revenue for the period. Despite lower License sales, the Group is pleased to have been able to limit the decline in Maintenance revenue to -2.5% organically.

Axway's recurring revenue, which includes Subscription and Maintenance contracts, represented 79% of the Group's total revenue for the first six months of the year, an increase of 10 points compared with the first half of 2019.

Services revenue reached €18.2 million in the first half of 2020, representing 13% of Group revenue. As in the first three months of the year, business continued to suffer in Q2 2020 from the decline in License sales and the contextual slowdown in projects due to COVID-19 restrictions.

Revenue by geographic area

(in millions of euros)	H1 2020	H1 2019	2019 restated[1]	Total growth	Organic growth
France	40.9	40.8	40.8	0.3%	0.3%
Rest of Europe	29.6	31.0	30.9	-4.5%	-4.4%
Americas	59.3	59.4	60.3	-0.2%	-1.8%
Asia/Pacific	6.9	7.5	7.4	-8.1%	-6.9%
Axway	**136.6**	**138.6**	**139.4**	**-1.4%**	**-2.0%**

(1) At comparable scope and exchange rates.

While all of the geographic regions where Axway operates were impacted by the health crisis as it spread across the globe, Q2 trends were more positive in France and the Asia/Pacific region than in the Rest of Europe and the Americas.

France generated revenue of €40.9 million in the first half of 2020 (30% of Group revenue), representing organic growth of 0.3% despite a high comparison basis in the first half of 2019. This good performance is explained by the signature of several major Subscription contracts with existing customers in the second quarter.

The **Rest of Europe** fell 4.4% organically over the first half of the year, with revenue of €29.6 million, 22% of Group sales. Strong Subscription growth in all countries in the region was insufficient to offset the decline in License and Services sales. In the United Kingdom and Germany, where Axway generates more than 60% of the region's revenue, two strategic plans were launched to accelerate growth.

The **Americas** (USA & Latin America) generated revenue of €59.3 million (43% of Group revenue) over the period, down 1.8% organically. After a stable Q1, driven by growth in the Subscription business, the region was more heavily impacted by the health crisis in Q2 2020.

Finally, in the **Asia/Pacific** region, which was hit first and hardest by the health crisis, Axway generated revenue of €6.9 million in the first half of 2020, representing 5% of Group revenue. This 6.9% organic decline was reported despite a clear recovery in business in the second quarter.

First-half 2020 results

Profit on operating activities reached €2.5 million, or 1.9% of revenue, compared with 1.8% in the first half of 2019. While the good commercial momentum observed by the Company in the second half of 2019 and early 2020 was abruptly interrupted by the emergence of the global health crisis, Axway demonstrated agility and vigilance in controlling its cost base. Profitability was held stable in the first half of 2020 year-on-year.

By adapting operating expenses to this context, savings of €3.4 million were realised by the Group including:

- a €0.9 million decrease in sales and marketing costs following the interruption of marketing expenses due to COVID-19 and the suspension of all travel in Q2 2020 for €1.8 million. Conversely, employee costs rose by €0.5 million while purchases for resale increased by €1.0 million (mainly Amazon Web Services costs);
- a €2.1 million decline in Research & Development expenses, primarily due to the discontinuation of EPAM subcontracting in Belarus for €1.7 million (relating to Syncplicity products, taken over internally in Q3 2019) and travel savings attributable to COVID-19 for €0.4 million;
- general expenses also declined by €0.4 million, in line with falling revenue and the uncertainties surrounding COVID-19.

The loss from recurring operations was -€3.7 million in the first half of 2020, *i.e.* -2.7% of revenue, including amortisation of allocated intangible assets of €4.3 million.

The operating loss amounted to -€3.7 million for the first six months of 2020, i.e. -2.7% of revenue.

Axway reported a net loss of -€6.0 million for the first half of 2020, i.e. -4.4% of revenue.

Basic earnings per share amounted to -€0.28 for the half year, stable compared with the first half of 2019.

	H1 2020		H1 2019	
	(in millions of euros)	*(% revenue)*	*(in millions of euros)*	*(% revenue)*
Revenue	**136.6**	***100.0%***	**138.6**	***100.0%***
Costs of sales				
License and Maintenance	-12.4	*9.1%*	-11.9	*8.6%*
Subscription	-14.5	*10.6%*	-13.0	*9.3%*
Services	-20.3	*14.9%*	-21.1	*15.2%*
Total costs of sales	**-47.3**	***34.6%***	**-45.9**	***33.2%***
Gross profit	**89.3**	***65.4%***	**92.6**	***66.8%***
Operating expenses				
Sales and Marketing	-43.5	*31.8%*	-44.3	*32.0%*
Research & Development	-30.4	*22.3%*	-32.6	*23.5%*
General expenses	-12.9	*9.4%*	-13.3	*9.6%*
Total operating expenses	**-86.8**	***63.5%***	**-90.2**	***65.1%***
Profit on operating activities	**2.5**	***1.9%***	**2.5**	***1.8%***
Share-based and similar payment expenses	-2.0		-0.9	
Amortisation of allocated intangible assets	-4.3		-4.3	
Profit/(loss) from recurring operations	**-3.7**	***-2.7%***	**-2.7**	***-1.9%***
Other operating income and expenses	0.0		-0.3	
Operating profit/(loss)	**-3.7**	***-2.7%***	**-3.0**	***-2.1%***
Cost of net financial debt	-0.7		-0.9	
Other financial revenues and expenses	-1.8		-0.3	
Income taxes	0.2		-1.9	
Net profit/(loss)	**-6.0**	***-4.4%***	**-6.1**	***-4.4%***
Basic earnings per share *(in euros)*	**-0.28**		**-0.29**	

Change in the workforce

Axway had 1,885 employees at 30 June 2020, stable on 31 December 2019.

Group financial position

At 30 June 2020, Axway had a solid financial position, with cash of €24.3 million and bank debt of €42.0 million. Bank debt covenants were met in the first half of 2020.

Free cash flow totalled €4.9 million in the first half of 2020 compared with €1.2 million a year earlier.

Shareholders' equity was €360.1 million at 30 June 2020 compared with €356.4 million at end-June 2019.

As previously announced at the beginning of 2019, the Group renegotiated its bank credit facilities for 5 years (with a possible extension until 2026), thereby securing financing of up to €125.0 million.

Main risks and uncertainties for the second half of 2020

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 44 of the 2019 Universal Registration Document.

Changes in the economic climate in the context of the health crisis are likely to impact business in the second half of the year. However, the Group has very limited visibility of the actual impact of the current health crisis on its customers. Accordingly, it is difficult for Axway to assess the extent of the pandemic risk and its real impacts on Group activity.

In H1 2020, the decline in the organic growth of License revenue was primarily due to the switch to the Subscription-based model which has been very successful. Services revenue was impacted by a certain contextual slowdown in projects due to COVID-19 pandemic restrictions and continued to suffer from the decline in License sales.

In H1 2020, in the context of the health crisis, the Group set up a crisis management unit bringing together the members of the Executive Committee. This unit meets almost daily to respond as quickly as possible to any changes in the pandemic, monitor its impact on the Group's businesses and take appropriate action:

- safety of employees and stakeholders as a top priority;
- business continuity plan and strengthened customer engagement;
- rapid adaptation and agility in response to an unprecedented crisis situation.

This crisis management unit will continue its work in the second half of the year while adapting its frequency and the measures taken within the Group to the evolving crisis situation.

2020 Targets & Outlook

The 2020 targets, announced on 19 February on the basis of the information available at that time, have been called into question by the health and economic crisis linked to COVID-19.

In the current context of prolonged uncertainty and given the Company's very limited visibility of the real impact of the current crisis on its customers, the reliability of financial projections is limited.

At this stage, while emphasising the historical importance of the fourth quarter in its annual performance, Axway is targeting revenue and operating profit for 2020 within the same range as 2019.

Axway confirms its mid-term ambitions:

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

Events after the reporting period

Between 1 July 2020 and the date of the Board of Director's meeting, there were no significant events likely to impact the financial statements.

Glossary – Alternative Performance Measures

- **Restated revenue:** Revenue for the prior year, adjusted for the consolidation scope and exchange rates of the current year.
- **Organic growth:** Growth in revenue between the period under review and the prior period, restated for consolidation scope and exchange rate impacts.
- **Growth at constant exchange rates:** Growth in revenue between the period under review and the prior period restated for exchange rate impacts.
- **ACV:** Annual Contract Value – Annual contract value of a Subscription agreement.
- **TCV:** Total Contract Value – Full value of the Subscription agreement including both recurring revenue over the contract term and one-time payments.
- **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.

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Condensed interim consolidated financial statements

Consolidated income statement

(in thousands of euros)	Notes	H1 2020 Amount	H1 2019 Amount
Revenue	**3 and 4**	**136,589**	**138,586**
Employee costs	5.1	-93,469	-90,505
Purchases and external expenses	6	-33,533	-39,108
Taxes and duties		-1,684	-1,085
Depreciation and amortisation, provisions and impairment		-6,432	-6,493
Other current operating income and expenses		1,077	1,070
Profit on operating activities		**2,549**	**2,464**
as % of revenue excl. VAT		***1.9%***	***1.8%***
Share-based and similar payment expenses	7	-1,961	-893
Amortisation of allocated intangible assets		-4,332	-4,255
Profit/(loss) from recurring operations		**-3,744**	**-2,684**
as % of revenue excl. VAT		***-2.7%***	***-1.9%***
Other operating income and expenses	8	4	-283
Operating profit/(loss)		**-3,740**	**-2,966**
as % of revenue excl. VAT		***-2.7%***	***-2.1%***
Cost of net financial debt	9.1	-677	-914
Other financial income and expense	9.2	-1,835	-314
Income tax expense	10	243	-1,897
Profit/(loss) for the period from continuing operations		**-6,009**	**-6,091**
Profit/(loss) for the period		**-6,009**	**-6,091**
as % of revenue excl. VAT		***-4.4%***	***-4.4%***
of which attributable to non-controlling interests		0	0
of which attributable to owners of the Company		**-6,009**	**-6,091**

Net income per share – attributable to owners of the Company

(in euros)	Notes	H1 2020	H1 2019
Basic earnings per share	**11**	**-0.28**	**-0.29**
Diluted earnings per share	**11**	**-0.27**	**-0.28**

Other comprehensive income

(in thousands of euros)	H1 2020	H1 2019
Consolidated profit/(loss) for the period	**-6,009**	**-6,091**
Other comprehensive income:		
Actuarial gains and losses on pension plans	82	-864
Tax impact	-24	277
Sub-total items that will not be reclassified subsequently to profit or loss	**58**	**-587**
Share attributable to non-controlling interests	0	0
Exchange differences on translating foreign operations	1,857	866
Sub-total items that may be reclassified subsequently to profit or loss	**1,857**	**866**
Total other comprehensive income, net of tax	**1,915**	**279**
Total comprehensive income	**-4,094**	**-5,812**
of which attributable to non-controlling interests	0	0
of which attributable to owners of the Company	**-4,094**	**-5,812**

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Consolidated statement of financial position

Assets *(in thousands of euros)*	**Notes**	**30/06/2020**	**31/12/2019**
Goodwill	12.1	350,649	349,976
Intangible assets		28,961	33,912
Property, plant and equipment		11,544	12,505
Lease right-of-use assets	13.1	21,332	23,474
Non-current financial and other assets		5,512	5,089
Deferred tax assets		19,157	17,724
Non-current assets		**437,155**	**442,679**
Trade receivables	14	64,679	71,893
Other current receivables		38,459	33,179
Cash and cash equivalents	16	24,348	21,087
Current assets		**127,486**	**126,158**
Total assets		**564,640**	**568,838**

Equity and liabilities *(in thousands of euros)*	**Notes**	**30/06/2020**	**31/12/2019**
Share capital		42,618	42,451
Capital reserves		110,976	110,976
Consolidated and other reserves		212,496	203,764
Profit/(loss) for the period		-6,009	5,405
Equity – attributable to owners of the Company		**360,082**	**362,596**
Non-controlling interests		**2**	**2**
Total equity	**15**	**360,084**	**362,598**
Financial debt – long-term portion	16	39,193	39,201
Lease liabilities – long-term portion	13.2	20,771	22,903
Deferred tax liabilities		626	488
Other non-current liabilities		12,916	13,090
Non-current liabilities		**73,506**	**75,683**
Financial debt – short-term portion	16	2,843	3,452
Lease liabilities – short-term portion	13.2	6,244	6,809
Trade accounts payable		9,668	16,617
Deferred income	17	76,471	60,567
Other current liabilities	18	35,826	43,112
Current liabilities		**131,051**	**130,557**
Total liabilities		**204,557**	**206,240**
Total equity and liabilities		**564,640**	**568,838**

Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Capital reserves	Treasury shares	Reserves and consolidated profit	Other comprehensive income	Attributable to: owners of the Company	Attributable to: non-controlling interests	Total
Equity at 30/06/2019	**42,451**	**110,976**	**-834**	**179,741**	**24,038**	**356,372**	**1**	**356,373**
Capital transactions	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	1,852	-	1,852	-	1,852
Transactions in treasury shares	-	-	7	-16	-	-8	-	-8
Ordinary dividends	-	-	-	-8,472	-	-8,472	-	-8,472
Changes in scope of consolidation	-	-	-	-	-	-	-	-
First-time application of IFRS 16	-	-	-	-31	-	-31	-	-31
Other movements	-	-	-	-524	11	-513	-0	-513
Transactions with shareholders	**-**	**-**	**7**	**-7,191**	**11**	**-7,172**	**-0**	**-7,172**
Profit/(loss) for the period	-	-	-	11,496	-	11,496	-	11,496
Other comprehensive income	-	-	-	-	1,900	1,900	1	1,901
Total comprehensive income for the period	**-**	**-**	**-**	**11,496**	**1,900**	**13,396**	**1**	**13,397**
Equity at 31/12/2019	**42,451**	**110,976**	**-827**	**184,046**	**25,950**	**362,597**	**2**	**362,598**
Capital transactions	167	-	-	-167	-	-	-	-
Share-based payments	-	-	-	1,663	-	1,663	-	1,663
Transactions in treasury shares	-	-	-44	-38	-	-83	-	-83
Ordinary dividends	-	-	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-	-	-
Other movements	-	-	-	-1	-0	-1	-	-1
Transactions with shareholders	**167**	**-**	**-44**	**1,457**	**-0**	**1,580**	**-**	**1,580**
Profit/(loss) for the period	-	-	-	-6,009	-	-6,009	-	-6,009
Other comprehensive income	-	-	-	-	1,915	1,915	-0	1,915
Total comprehensive income for the period	**-**	**-**	**-**	**-6,009**	**1,915**	**-4,094**	**-0**	**-4,094**
Equity at 30/06/2020	**42,618**	**110,976**	**-871**	**179,495**	**27,864**	**360,082**	**2**	**360,084**

Consolidated statement of cash flows

(in thousands of euros)	Notes	H1 2020	H1 2019
Consolidated net income (including share attributable to non-controlling interests)		**-6,009**	**-6,091**
Net charges to depreciation, amortisation and provisions		10,095	10,056
Share-based payment expense	7	1,663	837
Gains and losses on disposal		10	116
Cash from operations after cost of net financial debt and tax		**5,759**	**4,918**
Cost of net financial debt	9.1	677	914
Income tax expense (including deferred tax)	10	-243	1,897
Cash from operations before cost of net financial debt and tax (A)		**6,194**	**7,729**
Tax paid (B)		-521	-2,101
Changes to operating working capital requirements (including liabilities related to employee benefits)		4,951	2,993
Net cash from operating activities (D) = (A+B+C)		**10,624**	**8,621**
Purchases of intangible assets and PP&E		-1,288	-3,164
Proceeds from sale of intangible assets and PP&E		-	-2
Change in lease right-of-use assets	13	-	-209
Impact of changes in the scope of consolidation	12	-400	-1,123
Change in loans and advances granted		-10	-63
Other cash flows from investing activities		7	79
Net cash from (used in) investing activities (E)		**-1,690**	**-4,481**
Proceeds from the exercise of stock options		-	-
Purchase and proceeds from disposal of treasury shares	7	-201	-1,164
Dividends paid during the period		-	-
Proceeds from borrowings		-	-
Repayment of borrowings	16	-500	-2,257
Change in lease liabilities	13	-4,115	-2,901
Net interest paid (including finance leases)		-340	-791
Other cash flow relating to financing activities		-60	-696
Net cash from (used in) financing activities (F)		**-5,217**	**-7,809**
Effect of foreign exchange rate changes (G)		-450	24
Net change in cash and cash equivalents (D+E+F+G)		**3,266**	**-3,644**
Opening cash position		21,061	35,772
Closing cash position		24,328	32,128

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

Notes to the condensed interim consolidated financial statements

Contents for the notes to the consolidated financial statements

Note 1 Accounting principles

The condensed interim consolidated financial statements for the half-year ended 30 June 2020, together with the accompanying notes, were prepared under the responsibility of the Board of Directors and approved at its meeting of 27 July 2020.

1.1 Basis of preparation of the condensed interim consolidated financial statements

The consolidated financial statements for the half-year ended 30 June 2020 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. This standard is 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 2020 are identical to those adopted for the consolidated financial statements for the year ended 31 December 2019 and described in Chapter 5, Note 1 of the 2019 Universal Registration Document filed on 14 April 2020 with the French Financial Markets Authority (AMF) under no. D.20-0289 and available on the Company's website at http://www.investors.axway.com, except for the new standards and interpretations applicable from 1 January 2020 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 2020 are as follows:

- amendments to references to the Conceptual Framework in IFRS Standards. These amendments had no impact on the period;
- amendments to IAS 1, *Presentation of financial statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: change in the definition of the term "material"*. These amendments had no impact on the period;
- amendment to IFRS 16, *COVID-19-Related Rent Concessions*. Under this amendment, COVID-19-related rent concessions are not accounted for as lease modifications and the impact is recognised immediately in profit or loss for the period. The impact of this amendment on the Group's Income Statement for the period was not material;
- amendment to IFRS 3, *Definition of a business*. This amendment had no impact on the period;
- amendment to IFRS 9, IAS 39 and IFRS 7, *IBOR Reform*. At this stage, the Group has not identified any material impact from this amendment.

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

The COVID-19 pandemic had a significant impact on our activity levels, forcing us to rapidly adapt our working practices to support our customers under the best possible conditions. It impacted the Group's consolidated financial statements, the judgements and estimates used to assess certain assets and liabilities or certain income and expense items and liquidity risk.

Judgements and estimates: based on existing knowledge and best available information

Due to the currently unpredictable global impacts of COVID-19, Management judgements and estimates are subject to increased uncertainty. Actual amounts may differ from Group judgements and estimates and changes may have a more or less material impact on the interim consolidated financial statements. All available information on expected economic trends and country-specific government mitigation measures was considered when updating Management judgements and estimates. The financial statements were prepared using estimates and assumptions based on current knowledge and the best available information.

Presentation of the financial statements

In terms of financial statement presentation, the Group's performance was impacted across all income statement line items. Neither the French Financial Markets Authority (AMF) nor the French Accounting Standards Authority (ANC) recommend using non-recurring income and expense headings to systematically account for the impacts of the COVID-19 crisis; they favour a specific explanation for each line item in the notes to the financial statements and propose that only the usual income and expense items be recorded under non-recurring income and expense headings.

Material impact on our activity levels: limited decline in revenue partially offset by marketing event and travel expense savings

The Group delivered a solid H1 2020 performance in the unprecedented context of the COVID-19 crisis. Organically, the decline in revenue was limited to 2.0%. The Group reported a significant decrease in License (-52%) and Services (-15.7%) revenue, offset by the substantial growth in Subscription activity (+58.5%) (see Notes 3 and 4).

The Group recorded all idle capacity costs generated by the crisis in Profit on operating activities. This resulted in a marked decline in marketing and travel expenses over the half-year (see Note 6). During lockdown, few employees took paid leave, particularly in France, and the Group only furloughed a few employees (less than 10) who encountered difficulties with childcare (see Note 5).

Immaterial excess logistics and safety costs

The Group did not incur any major excess costs to ensure the safety of its employees, to enable them to continue working from home and to resolve health issues, particularly social distancing, in all its offices. These unique and unusual excess costs were immaterial and recorded as operating expenses under Profit on operating activities. Furthermore, the Group recorded the receipt of State aid totalling €0.3 million, mainly in the Asia/Pacific zone.

Deferred taxes: deferred tax assets in respect of tax loss carryforwards maintained

The COVID-19 crisis had no impact on deferred taxes at 30 June 2020. Sufficient forecast future taxable profits against which capitalised tax losses can be utilised were maintained in this economic crisis context (see Note 10).

Intangible asset impairment tests: tests did not lead to the recognition of an impairment loss

The crisis also impacted the estimates used by the Group to assess certain assets and liabilities or certain income and expense items. This is especially relevant and decisive for the assumptions and estimates used to assess the recoverable amount of intangible assets, and particularly goodwill and intangible assets allocated to customer relations and technologies. The Group considered that the impacts of the COVID-19 crisis represented an indication of impairment and therefore performed an impairment test. The approach used and the test results are described in Note 12.2. This test did not lead to the recognition of impairment at 30 June 2020.

Recoverability of trade receivables: no specific risk observed in H1 2020

The COVID-19 crisis had no material impact on customer collections in H1 2020. Customer contract monitoring did not reveal any requests to suspend or discontinue services or to renegotiate prices. The limited number of requests mainly involved payment deadline extensions (see Note 14). At this stage, the Group has not identified any credit risk.

Non-distribution of dividends

The Axway Software General Shareholders' Meeting, which met on 3 June 2020 to approve the 2019 financial statements, decided not to distribute dividends for 2019 (see Note 15.2).

Dividends are normally paid in July. This decision therefore had no impact on the H1 2020 cash flow statement.

Group net debt and cash and cash equivalents

At 30 June 2020, Axway had a solid financial position, with cash of €24.3 million and bank debt of €42.0 million. Bank debt covenants were met in the first half of 2020.

The Group has an unused credit facility of €89 million and bank overdrafts of €20 million (see Note 20).

The Group does not anticipate any medium or long-term cash or financing problems.

Following the COVID-19 health crisis, the Group noted repayment deferrals for certain loans at the initiative of Banque Populaire for €1.1 million (see Note 16).

Government measures adopted to facilitate cash flow

The government measures taken to facilitate the cash flow of companies resulted in the deferral of social security contributions in France for €3.7 million and the deferral of social security and tax contributions in other countries for €0.6 million (see Note 18).

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 2020.

b. Newly-consolidated entities

No entities were newly consolidated in the first six months of 2020.

In H1 2019, Axway Software acquired the entire share capital of Streamdata.io in France. Streamdata.io holds all the shares of its U.S. subsidiary, Streamdata.io Inc. Streamdata.io's activities were consolidated in the Axway financial statements from 1 April 2019.

Notes to the consolidated income statement

Note 3 Segment reporting

3.1 Revenue by business line

(in thousands of euros)	H1 2020		H1 2019	
License	10,503	7.7%	21,822	15.7%
Subscription	37,235	27.3%	23,138	16.7%
Maintenance	70,695	51.8%	72,099	52.0%
Services	18,155	13.3%	21,527	15.5%
Total revenue	**136,589**	**100.0%**	**138,586**	**100.0%**

In H1 2020, Customer Managed Subscription contracts generated initial upfront revenue of €11.8 million.

3.2 Revenue by region

(in thousands of euros)	H1 2020		H1 2019	
Europe	70,447	51.6%	71,748	51.8%
Americas	59,276	43.4%	59,367	42.8%
Asia/Pacific	6,865	5.0%	7,470	5.4%
Total revenue	**136,589**	**100.0%**	**138,586**	**100.0%**

Note 4 Revenue

Accounting policies, judgements and estimates

In H1 2020, the Group did not change its revenue recognition policy. The COVID-19 pandemic had no impact on the estimates and judgements underlying our revenue recognition method in H1 2020. Our revenue recognition policy is outlined in Note 4.1.1 to the 2019 Universal Registration Document.

4.1 Revenue by business line

(in thousands of euros)	H1 2020		H1 2019	
License	10,503	7.7%	21,822	15.7%
Subscription	37,235	27.3%	23,138	16.7%
Maintenance	70,695	51.8%	72,099	52.0%
Services	18,155	13.3%	21,527	15.5%
Total revenue	**136,589**	**100.0%**	**138,586**	**100.0%**

4.2 International operations

(in thousands of euros)	H1 2020		H1 2019	
France	40,877	29.9%	40,774	29.4%
Rest of Europe	29,570	21.6%	30,975	22.4%
Americas	59,276	43.4%	59,367	42.8%
Asia/Pacific	6,865	5.0%	7,470	5.4%
Total revenue	**136,589**	**100.0%**	**138,586**	**100.0%**

Note 5 Employee costs

5.1 Breakdown of employee costs

(in thousands of euros)	H1 2020	H1 2019
Salaries	78,431	76,448
Social security contributions	19,493	18,060
Research tax credits	-4,854	-4,435
Employee profit-sharing	363	359
Net expense for post-employment and similar benefit obligations	35	73
Total employee costs	**93,469**	**90,505**

Employee costs, which remained relatively stable (+3.3%), accounted for 68.4% of H1 2020 revenue, comparable with 2019 (65.3%).

In connection with the COVID-19 pandemic, very few employees took paid leave compared to H1 2019, particularly in France, due to widespread working from home, representing an excess cost in H1 2020. Around 5,700 days of paid leave were carried over to the second half of 2020.

Note that the Group did not request employees to take leave and only furloughed a small number of employees (less than 10) who had limited ability for childcare while working.

5.2 Workforce

No. of employees at 30 June	H1 2020	H1 2019
France	471	452
International	1,414	1,436
Total	**1,885**	**1,888**

At 30 June 2020, Axway had 1,885 employees (25% in France and 75% internationally), unchanged from 31 December 2019 and comparable to 30 June 2019.

Average no. of employees	H1 2020	H1 2019
France	468	457
International	1,401	1,429
Total	**1,869**	**1,886**

Note 6 Purchases and external expenses

(in thousands of euros)	H1 2020	H1 2019
Purchases of subcontracting services	10,854	10,824
Purchases not for inventory of equipment and supplies	816	1,394
Purchases and change in stock of merchandise	4,242	2,476
Total purchases	**15,912**	**14,693**

The increase in purchases was due to the reclassification of Amazon Web Services costs for €1 million. These costs were previously classified as external charges under the “Sundry” line item.

Purchases of subcontracting services mainly comprise cloud hosting costs, which were considerable given the growth in Subscription activities.

The COVID-19 crisis had no impact on purchases of subcontracting services.

(in thousands of euros)	H1 2020	H1 2019
Rent and rental charges	4,784	5,028
Lease expenses – IFRS 16 adjustment	-3,441	-3,470
Maintenance and repairs	4,230	3,557
External structure personnel	54	156
Remuneration of intermediaries and fees	3,022	2,714
Advertising and public relations	1,801	2,166
Travel and entertainment	1,643	5,099
Telecommunications	1,306	1,220
Sundry	4,223	7,946
Total external charges	**17,621**	**24,415**

The COVID-19 crisis had a very significant impact on external charges in H1 2020. Due to the lockdown in France and worldwide, the Group reported a substantial decline in costs relating to tradeshow marketing events such as the Imagine Summit for -€2.7 million and travel expenses for -€3.5 million.

Amazon Web Services costs, initially reported under the “Sundry” line item, were reclassified to purchases of subcontracting services for €1 million.

Note 7 Share-based and similar payment expenses

No new free share grant plans were set up in H1 2020. The current plans are described in Note 5.4 of Chapter 5, “Consolidated financial statements” of the 2019 Universal Registration Document.

Expenses relating to free performance share grant plans totalled €2.0 million in H1 2020. This expense was €0.9 million in H1 2019. The increase was primarily due to the adjustment of performance criteria results in the LTI B plan (€0.4 million) and the recognition of a new plan granted in H2 2019 (€0.3 million).

The June 2017 free share grant plan was settled in the first half of 2020 with the presentation of 83,385 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 are new shares issued by the Group in H1 2020.

Note 8 Other operating income and expenses

Following the COVID-19 crisis, the conditions for classifying items outside recurring operating profit pursuant to ANC recommendation 2020-011 did not change. The Group retained its prior practice for the use of non-recurring headings.

The health crisis did not generate material costs to guarantee employee safety and bring premises into compliance. The COVID-19 crisis did not lead to any restructuring in France or worldwide.

In H1 2020, no income or expenses relating to COVID-19 were recorded in non-recurring operating items.

Restructuring expenses amounted to €88 thousand in the first half of 2019. Expenses relating to the acquisition of Streamdata.io totalled €195 thousand.

Note 9 Financial income and expense

9.1 Cost of net financial debt

(in thousands of euros)	H1 2020	H1 2019
Income from cash management	-7	-79
Interest expense	340	579
Cost of net financial debt	**333**	**499**
Net interest on lease liabilities – IFRS 16	344	415
Total cost of net financial debt	**677**	**914**

In H1 2019, the Group recorded syndicated credit facility renegotiation costs of €0.3 million.

The application of IFRS 16 increased the cost of net financial debt by €0.3 million in the first half of 2020.

In connection with the COVID-19 health crisis, the Group noted repayment deferrals for certain loans at the initiative of Banque Populaire for €1.1 million. This loan restructuring had no major impact on the cost of net financial debt for the period.

9.2 Other operating income and expenses

(in thousands of euros)	H1 2020	H1 2019
Foreign exchange gains and losses	**1,974**	**143**
Reversal of provisions	5	-
Other financial income	-	0
Total foreign exchange gains/losses and other financial income	**1,979**	**143**
Charges to provisions	-5	0
Discounting of retirement benefit commitments	36	53
Change in the value of derivatives	-176	-148
Other financial expenses	0	266
Total other financial expenses	**-144**	**170**
Total other financial income & expense	**1,835**	**314**

Foreign exchange gains and losses include an unrealised foreign exchange loss 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 2020	H1 2019
Current tax	1,045	2,043
Deferred tax	-1,288	-146
Total income tax expense	**-243**	**1,897**

In H1 2020, the Group recorded a €0.2 million tax profit representing a Group effective tax rate of 3.88%.

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.

Axway Software

At 30 June 2020, capitalised tax losses stood at €7.6 million (in deferred tax assets), compared to €4.8 million at 31 December 2019. Tax losses available for carry forward not capitalised were nil.

Axway Inc.

At 30 June 2020, capitalised tax losses stood at US$15.0 million (in deferred tax assets), compared to US$15.0 million at 31 December 2019. We did not capitalise any additional tax losses in the first half of 2020 compared to 31 December 2019.

At 30 June 2020, **deferred tax assets not recognised** in respect of tax losses available for carry forward amounted to €23.9 million and concerned the following subsidiaries: Axway Inc. in the United States (€14.3 million), Axway SRL in Italy (€2.9 million), Axway Software Do Brazil Ltda in Brazil (€1.8 million), Axway Romania (€2.3 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 offset corporate income tax due in the 20 years following the year in respect of which the tax credits were generated. Any excess not offset is not reimbursed. Axway Inc. research tax credits were received each year between 2000 and 2020. At 30 June 2020, we estimate the total amount of research tax credits available for offset against taxable profits at US$42.1 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$42.1 million in tax credits could be used between 2025 and 2040.

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 2020, authorisation is currently pending. These tax losses were not capitalised in the Group financial statements.

The COVID-19 crisis had no impact on deferred taxes at 30 June 2020. Sufficient forecast future taxable profits against which capitalised tax losses can be utilised were maintained in this economic crisis context.

Note 11 Earnings per share

(in euros)	H1 2020	H1 2019
Net profit – Group share	-6,008,845	-6,091,077
Weighted average number of ordinary shares outstanding	21,267,257	21,225,381
Basic earnings per share	**-0.28**	**-0.29**

(in euros)	H1 2020	H1 2019
Net profit – Group share	-6,008,845	-6,091,077
Weighted average number of ordinary shares outstanding	21,267,257	21,225,381
Weighted average number of securities taken into account in respect of dilutive items	813,253	679,008
Weighted average number of shares taken into account to calculate diluted earnings per share	22,080,510	21,904,389
Diluted earnings per share	**-0.27**	**-0.28**

Notes to the consolidated balance sheet

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 2019	**358,555**	**8,580**	**349,976**
Acquisitions	-	-	-
Translation adjustments	665	-8	673
30 June 2020	**359,221**	**8,572**	**350,649**

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In accordance with IFRS 3 revised, the valuation of Streamdata.io, acquired in the first half of 2019, was finalised on 20 March 2020. Streamdata.io assets acquired and liabilities assumed were not adjusted in H1 2020.

12.2 Impairment tests

At 30 June 2020, Axway's fair value based on its stock market valuation was €379.3 million with a share price of €17.80 (€371.7 million less 2% selling costs), therefore exceeding the value of consolidated equity. Pursuant to IAS 36, *Asset impairment,* it is not therefore necessary to determine Axway's value in use at 30 June 2020.

However, the Group considers that the impacts of the COVID-19 crisis represent an indication of loss in value. Also for information purposes, Axway's value in use was determined at 30 June 2020 to comply with AMF recommendations in this health crisis context.

The Group therefore performed an impairment test on the single CGU at 30 June 2020, within the limit of its current knowledge of the crisis' impacts and its uncertainties.

The IAS 36 asset impairment test methodology described below was adapted to the level of risk.

The methodology used is based on:

- **the definition of a single scenario estimated by Management**

  Axway opted for a single scenario rather than multiple scenarios. Based on the 2020-2024 business plan issued in 2019, this single scenario consists in reducing the 2020 forecasts and maintaining the plan for 2021 and subsequent years.

  This approach based on a rapid and substantial post-crisis recovery is supported by the resilience of Axway's business model and the strong demand for the Subscription offering;
- **revision of cash flows for the period 2020-2024**

  Available cash flows were revised in accordance with the single scenario;
- **retention of the extrapolation period for 2025-2028 (**see Note 8.2, Chapter 5 of the 2019 Universal Registration Document). This period is based on a projection of 2024 cash flow over 4 years (2025 to 2028), using an annual growth percentage that gradually declines from the sixth to the ninth year;
- **discount rate increase in accordance with feedback from our analysts**

  The Weighted Average Cost of Capital was increased from 9.50% to 10.00%. However, the perpetual growth rate was confirmed at 2.00%.

At 30 June 2020, the value in use of Axway Software estimated using the discounted future cash flow method was €605.8 million for a consolidated equity value of €360.1 million. At 31 December 2019, the value in use totalled €636.7 million.

Valuation *(in millions of euros)*		Discount rate		
		9.50%	**10.00%**	**10.50%**
Perpetual growth rate	**1.60%**	628.7	586.8	549.8
	2.00%	650.9	**605.8**	566.0
	2.40%	675.5	626.7	583.9

The impairment test did not lead to the recognition of impairment. The test carried out by the Group did not reveal a loss in value: the value of goodwill (€350.6 million) at 30 June 2020 is justified, as is the value of intangible assets allocated to customer relations and technologies (NCA of €28.9 million at 30 June 2020).

Note 13 Leases

13.1 Lease right-of-use assets by category

(in thousands of euros)	Leased premises	Leased vehicles	Total
Gross value			
31 December 2019	**28,841**	**937**	**29,778**
First-time application of IFRS 16	-	-	-
Change in scope of consolidation	-	-	-
Acquisitions	1,020	116	1,136
Disposals – assets scrapped	-24	-5	-29
Other movements	-	-5	-5
Translation adjustments	-91	0	-91
30 June 2020	**29,745**	**1,043**	**30,788**
Depreciation			
31 December 2019	**-5,936**	**-369**	**-6,304**
First-time application of IFRS 16	-	-	-
Change in scope of consolidation	-	-	-
Charge	-3,059	-157	-3,216
Disposals – assets scrapped	19	-	19
Other movements	-	5	5
Translation adjustments	41	0	41
30 June 2020	**-8,936**	**-520**	**-9,456**
Net value			
31 December 2019	**22,905**	**569**	**23,474**
30 June 2020	**20,809**	**523**	**21,332**

The impact of the IFRS 16 amendment on the Group's Income Statement for the period was not material.

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	More than 5 years
Lease liabilities	**27,015**	**6,244**	**20,771**	**6,244**	**5,327**	**4,184**	**3,796**	**7,463**

The interest expense on lease liabilities in the first half of 2020 is €0.3 million (see Note 9.1).

Note 14 Trade receivables

(in thousands of euros)	30/06/2020	31/12/2019
Trade receivables	45,823	60,128
Accrued income	20,416	13,177
Provision for doubtful receivables	-1,560	-1,413
Total trade receivables	**64,679**	**71,893**

Net trade receivables, expressed in days sales outstanding, totalled 70 days at 30 June 2020, up from 30 June 2019 due to an increase in accrued income representing contract assets.

The €14.3 million decrease in Trade receivables is mainly due to revenue seasonality. The amount of new trade receivables generated is higher in the fourth quarter when invoices are issued for licenses 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 upon delivery and invoiced over the contract term.

The COVID-19 crisis had no material impact on customer collections during H1 2020. Customer contract monitoring did not reveal any requests to suspend or discontinue services or to renegotiate prices. The limited number of requests mainly involved payment deadline extensions.

Note 15 Equity

15.1 Changes in the share capital

At 31 December 2019, the share capital stood at €42,450,762, and comprised 21,225,381 fully paid-up shares with a par value of €2.00 each.

In H1 2020, share capital increased due to the capitalisation of reserves as a result of the delivery of 83,385 new shares to 50 beneficiaries under the LTI B plan, whose vesting period expired on 31 March 2020.

At 30 June 2020, the share capital stood at €42,617,532 comprising 21,708,366 fully-paid up shares with a par value of €2.00 each.

15.2 Dividends

Faced with the global COVID-19 crisis, on 7 April 2020, Axway's Board of Directors decided to propose to the next General Meeting that no dividend be paid in respect of fiscal year 2019.

The Axway Software General Shareholders' Meeting, which met on 3 June 2020 to approve the 2019 financial statements, decided not to distribute dividends for 2019.

Note 16 Financial liabilities – Net debt

Net debt is €17.7 million at 30 June 2020, compared to €21.6 million at 31 December 2019 and breaks down as follows:

(in thousands of euros)	Current	Non-current	30/06/2020	31/12/2019
Bank borrowings	2,877	39,193	42,069	42,569
Other financial liabilities	-54	-	-54	73
Bank overdrafts	20	-	20	12
Financial debt	**2,843**	**39,193**	**42,036**	**42,653**
Cash and cash equivalents	-24,348	-	-24,348	-21,087
Consolidated net debt	**-21,505**	**39,193**	**17,688**	**21,566**

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 maturity of the credit facilities was extended to January 2024 with the possibility of a further extension under certain conditions until 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 2020, €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 2020, these financial covenants 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 2020 is €6 million.

In connection with the COVID-19 health crisis, the Group noted repayment deferrals for certain loans at the initiative of Banque Populaire for €1.1 million.

Note 17 Current deferred income

(in thousands of euros)	30/06/2020	31/12/2019
Deferred income	76,471	60,567
Total deferred income (current)	**76,471**	**60,567**

Current deferred income, representing customer contract liabilities, is presented in Note 4.1 to the 2019 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 following the reporting date (1 January 2020 for this period) and the corresponding trade receivables not settled at the reporting date (31 December 2019) were offset in the balance sheet. There was no offset at 30 June.

The majority of current customer contract liabilities at 31 December 2019 were recognised in revenue in the first half of 2020.

Compared to 31 December 2019, current deferred income increased mainly due to the removal of offsetting of deferred income at 30 June 2020.

Note 18 Other current liabilities

(in thousands of euros)	30/06/2020	31/12/2019
Amounts payable on non-current assets	879	1,323
Advances and payments on account received for orders	89	89
Employee-related liabilities	25,631	29,607
Tax payables (other than income tax)	5,305	7,690
Income tax	1,579	1,327
Other liabilities	2,344	3,077
Total other current liabilities	**35,826**	**43,112**

In connection with the COVID-19 health crisis, government measures taken to facilitate the cash flow of companies enabled the deferral of social security contributions in France for €3.7 million and the deferral of social security and tax contributions in other countries for €0.6 million.

At the same time, the significant decrease in employee-related liabilities is due to the impact of revenue seasonality on variable compensation provided at 30 June 2020 compared to 31 December 2019.

The increase in tax payables is due to the offset of trade receivables and deferred income, and therefore VAT, at 31 December 2019 (this offset is described in Note 7.6 on current deferred income).

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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 2019 Universal Registration Document, filed with the French Financial Markets Authority (AMF) on 14 April 2020, under no. D.20-0289 and available on the Company’s website at http://www.investors.axway.com. The Axway 2019 Universal Registration Document also includes the Statutory Auditors’ report on regulated agreements.

Other than the agreements described in the 2019 Universal Registration Document, to the best of the Company’s knowledge, there were no new agreements with Axway Group related-parties in H1 2020 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 2019.

At 30 June 2020, the Group complied with all covenants and commitments under the syndicated credit facility.

It is recalled that net debt used in these 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 2024, with the possibility of a further extension under certain conditions until 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 0.50 at 30 June 2020 (0.70 at 31 December 2019);
- "EBITDA/Financial expenses" ratio above 5.0 throughout the term of the loan. This ratio was 106.78 at 30 June 2020 (43.88 at 31 December 2019);
- "Net debt/Shareholders' equity" ratio below 1.0 throughout the term of the loan. This ratio was 0.05 at 30 June 2020 (0.06 at 31 December 2019).

The €36 million credit line on the RCF (Revolving Credit Facility) present at 31 December 2019 is still present at 30 June 2020, bringing the available amount of the syndicated facility to €89 million.

As part of the 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 are likely to have a significant negative impact on the Group's financial position.

Note 22 Events after the reporting period

Between 1 July 2020 and the date of the Board of Directors' meeting, there were no significant events likely to impact the financial statements.

3

Statutory Auditors' report on the interim financial statements

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.

To the 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 2020;
- verified the information provided in the half-year management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors on 27 July 2020 on the basis of the information available at that date in the evolving context of the crisis related to COVID-19 and of difficulties in assessing its impact and future prospects. Our responsibility is to express our 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.

Without qualifying the above conclusion, we draw your attention to Note 1.3 to the condensed interim consolidated financial statements which outlines the impacts of the COVID-19 crisis on the consolidated financial statements for the period.

II Specific verification

We have also verified the information presented in the half-year management report prepared on 27 July 2020 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 and Paris, 30 July 2020

The Statutory Auditors

Auditeurs & conseils associés – ACA NEXIA	Mazars
Sandrine Gimat	Bruno Pouget

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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 six months 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 half-year management 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 2020

Patrick Donovan

Chief Executive Officer

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