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Press Release

Axway Software – Half-Year 2018: Revenue¹ of €134.9 million and Operating margin of 9.1%

- Stable Group revenue at constant exchange rates, down 2.0% organically
- Profit on Operating Activities of €12.3 million or 9.1% of revenue
- Stable License and Maintenance activities, growth in Subscription² activity
- Organization aligned to support acceleration of strategy execution

Paris, July 25, 2018 - Axway Software's Board of Directors, chaired by Pierre Pasquier, today approved the financial statements for the first half of 2018, which were subject to a limited review by the statutory auditors³.

Axway Software: 2018 Half-year results

Key income statement items*	Half-year 2018		Half-year 2017	
	(€m)	(% Rev)	(€m)	(% Rev)
Revenue	134.9		142.8	
Organic growth	-2.0%			
Growth at constant exchange rates	0.0%			
Total growth	-5.5%			
Profit on Operating Activities	12.3	9.1%	6.0	4.2%
Profit from Recurring Operations	7.8	5.7%	1.0	0.7%
Operating Profit	5.0	3.7%	-0.4	-0.3%
Net Profit attributable to the Group	3.9	2.9%	2.6	1.8%
Basic earnings per share (in €)	0.18		0.12	

* Alternative performance measures are defined in the glossary at the end of this document

Patrick Donovan, Chief Executive Officer, commented:

« As a major player in digital transformation, Axway assists customers daily with their IT modernization efforts by opening, integrating and moving their data. We are building the AMPLIFY™ Hybrid Integration Platform to continue to support them on their journey. I'm convinced of the relevance of this strategy and of our need to accelerate its implementation. This has been my priority since the day I was appointed. To carry out this mission successfully, several key decisions were taken over the last 3 months. We created the Customer Success Organization encompassing Sales and Customer Satisfaction, our marketing strategy has been adjusted and investments, whether for our products or our tools, will accelerate over the second half of the year. The market has now validated our ambition to become a leader in Hybrid Integration and we are stepping-up our efforts to adapt our model accordingly. In the first half of the year, I am satisfied that we successfully defended our historical License positions and although the Subscription business has not yet achieved the expected revenue growth, it is gradually gaining momentum and our customers are showing increasing interest in those offerings. »

¹ The application of IFRS 15 has no material or significant impact on revenue recognition or the Axway Software financial statements.

² The cloud activity has been renamed to take into account, in the future, sales of subscriptions delivered in a hybrid mode (either in the cloud, on-premise or both).

³ The interim consolidated financial statements were subject to audit procedures. The limited review report is in the process of being issued by the auditors.

Accelerating execution of the transformation strategy

In the first half of 2018, Axway reaffirmed its strategy to become a market leader in Hybrid Integration by the end of 2020 and its aim to transform its offering and business model to continue adapting to new customer demands.

On April 6, 2018, Axway's Board of Directors appointed Patrick Donovan Group CEO, with the priority mission of accelerating execution of this strategy.

Since then, several important initiatives have been implemented, including:

- Creation of a Customer Success Organisation (CSO) encompassing Sales and Customer Satisfaction,
- Adjustment of commercial models and commission plans to better support the Subscription offering,
- Review of the marketing strategy, now focused on digital levers,
- Appointment of new leaders (Finance, CSO, Marketing).

These changes should enable Axway to better respond to the new economic environment in its markets.

Comments on business and operating performance for the first half of 2018

In the first half of 2018, Axway successfully stabilized its License and Maintenance sales while growing its Subscription business. While growth in Subscription was not sufficient to offset the decline in Services activities over the first half of the year, the Group, under the leadership of its new Chief Executive Officer, is making the necessary adjustments to accelerate strategy execution and has launched several initiatives, as mentioned above, that should bear fruit in the medium term.

Thus, between January and June 2018, Axway generated revenue of €134.9 million, down 2.0% organically and 5.5% in total. While the scope effect was limited to the consolidation of Syncplicity's activities for the first two months of 2018 (+€2.8m), exchange rate fluctuations had a negative impact on Group revenue of -€7.9m. Revenue would have been stable over the period (0.0%) at constant exchange rates. Profit on operating activities increased significantly in the first half of 2018, reaching €12.3m, or 9.1% of revenue, compared with 4.2% in the first half of 2017. This outperformance is mainly due to the positive effect of exchange rates fluctuations on the cost base and the late launch of additional investments planned for the year.

Axway Software: Revenue by business line

Half-year 2018 (€m)	H1 2018	H1 2017 Restated*	H1 2017 Reported	Total Growth	Organic Growth
License	23.8	23.8	25.0	-4.8%	0.0%
Subscription	18.8	18.2	17.2	9.3%	3.3%
Maintenance	69.9	69.7	73.5	-4.9%	0.3%
Services	22.5	26.0	27.1	-17.0%	-13.5%
Axway Software	134.9	137.7	142.8	-5.5%	-2.0%

* Revenue at 2018 scope and exchange rates

License revenue was €23.8 million in the first half of 2018, stable organically (0.0%) and down 4.8% in total. Despite a difficult first quarter, marked by a further lengthening of customer decision cycles, several important signatures punctuated the second quarter (organic growth of 4.7%) stabilizing activity over the half-year. The MFT (Managed File Transfer) offering, dedicated to secure file transfer management, as well as the API Management offering, an essential distribution channel for data governance, were the most robust. By vertical market, Financial Services and Healthcare grew strongly. Factoring in an exceptionally high comparison basis for the fourth quarter of 2017, the Group forecasts an organic decline of 3 to 5% for this activity over the full-year.

Subscription revenue increased by 9.3% in total and by 3.3% organically to €18.8 million in the first half of 2018. Subscription contracts signed during the period had an annual contract value (ACV) of €4.7m up nearly 15% compared to the first half of 2017. This good commercial performance, which enables the Group to gradually increase the recurring portion of its revenue, was nevertheless slowed by several temporary adverse effects on recently acquired products. It was notably decided to change the

strategy on a specific component of the AppCelerator offering now available in Open Source⁴. Axway emphasizes the major technological interest of its last acquisitions for the construction of its AMPLIFY™ Hybrid Integration Platform offering. The Group has made several key strategic adjustments which should accelerate the adaptation of its business model, and in particular the commercial processes, to the Subscription offering.

Maintenance activities generated revenue of €69.9 million in the first half, with organic growth of 0.3%. This revenue stability in the first half of the year demonstrates the resilience of the activity's business model which only partially depends on new License signatures.

Consequently, in the first half of 2018, Axway's recurring revenue (Maintenance + Subscription) increased to 66% of revenue compared to 64% in the first half of 2017.

Services revenue amounted to €22.5 million, down 13.5% organically over the period. The move to outsource non-strategic Services and the lack of growth in License activity directly weighed on demand. Although the Group anticipates more stable revenue in the second half for this activity, the priority objective remains to improve profitability.

Axway Software: Revenue by geographic area

Half-year 2018 (€m)	H1 2018	H1 2017 Restated*	H1 2017 Reported	Total Growth	Organic Growth
France	37.3	38.7	38.7	-3.6%	-3.6%
Rest of Europe	32.4	33.4	33.7	-3.9%	-3.0%
Americas	58.4	58.4	62.7	-6.9%	0.0%
Asia/Pacific	6.8	7.2	7.8	-12.8%	-5.6%
Axway Software	134.9	137.7	142.8	-5.5%	-2.0%

* Revenue at 2018 scope and exchange rates

France generated revenue of €37.3 million in the first half of 2018 (28% of Group revenue), down 3.6% organically. License, Maintenance and Subscription activities grew sharply in the second quarter after a mixed first quarter. The decrease in France over the half-year is mainly attributable to Services, which reported a 19% slump in revenue organically.

The **Rest of Europe** fell 3.0% organically over the first six months of 2018, reporting revenue of €32.4 million. In Germany and the United Kingdom, License and Subscription activities posted very strong organic growth, while the performance of the other European countries was affected by a particularly high comparison basis in Benelux for the first half of 2017.

The **Americas** (USA & Latin America) accounted for 43% of Group revenue in the first half of 2018. At €58.4 million for the period, revenue is stable compared to the first half of 2017. While License and Maintenance activities grew similarly, Subscription activity was only slightly up compared to the previous year.

Finally, in **Asia-Pacific**, revenue fell 5.6% organically to €6.8 million for the half-year. While the Subscription activity grew strongly despite the postponement of several projects to the second half of the year, the maturity of the Australian market weighed on the License activity.

Comments on net profit for the first half of 2018

Profit from recurring operations amounted to €7.8 million in the first half of 2018, representing 5.7% of Group revenue compared with 0.7% for the prior-year period, after amortization of purchased intangible assets of €4.1 million.

Operating profit, including €2.8 million of other operating income and expenses, was 3.7% of first-half revenue, or €5.0 million.

Net profit was €3.9 million, or 2.9% of revenue for the first half of 2018.

Basic earnings per share reached €0.18 at June 30, 2018, compared with €0.12 in the first half of 2017, an increase of 50%.

⁴ The source codes of several software modules and components are now distributed under a license allowing anyone to read, modify or redistribute them.

Financial position at June 30, 2018

At June 30, 2018, Axway's financial position remained solid with cash of €47.6 million and bank debt of an equivalent amount. Free cash flow for the first half was €21.8 million, compared to €19.0 million for the first half of 2017. Shareholders' equity at June 30, 2018, amounted to €353.9 million.

Change in the workforce

At June 30, 2018, Axway had 1,780 employees (26% in France and 74% internationally), compared to 1,839 at December 31, 2017.

2018 Targets & 2020 Outlook

Noting the moderate growth of its Subscription activity in the first half of 2018 and a high basis of comparison for the License activity in the second half of the year, the Group anticipates organic revenue growth of between -3% and 0% over the full year.

In addition, during its transformation period, Axway confirms an additional investment of approximately €15 million per year dedicated to the construction and sale of the AMPLIFY™ platform. These investments were launched late in the first half and will be mainly concentrated in the second half in 2018 for an estimated cost of 3 to €5 million over the year.

These two factors suggest an operating margin rate of between 8% and 11% for the year.

Finally, Axway also reaffirms its ambitions for the end of 2020:

- Become a market leader in Hybrid Integration Platforms (HIP),
- Maintain revenue at approximately €300 million ("organically stable compared to 2017") while transforming the revenue mix from License to Subscription,
- Seize acquisition opportunities to support this strategy.

Financial Calendar

Thursday, July 26, 2018, 5:30 p.m.: Presentation of 2018 Half-Year Results - Cloud Business Center, Paris.

Thursday, August 30, 2018: Publication of the 2018 Half-Year Report.

Thursday, October 25, 2018 (after closing): Publication of Q3 2018 Revenue.

2018 Half-Year Results Presentation Meeting

The 2018 Half-Year Results will be presented to the financial community at a meeting to be held on July 26, 2018 at 5:30pm (CEST) at the Cloud Business Center in Paris. The meeting will be held in English and simultaneously translated into French.

This presentation can also be followed remotely via a dedicated bilingual webcast:

- English version registration: <https://edge.media-server.com/m6/p/v8jx2cft/lan/en/>
- French version registration: <https://edge.media-server.com/m6/p/v8jx2cft/lan/fr/>
- Or by phone:
 - From France: +33 (0)1 76 77 28 11
 - From the United States: +1 323-794-2428
 - From the United Kingdom: +44 (0)330 336 9418
 - Other countries: please use one of the numbers above

For the choice of language please use the following PIN codes: English = 8367372 / French = 9567317

Practical information about the conference may be found on Axway's website: <http://www.investors.axway.com/en>

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 consolidated scope and exchange rates impacts.

Growth at constant exchange rates: Growth in revenue between the period under review and the prior period restated for exchange rates impacts.

ACV: Annual Contract Value – Average annual contract value of the subscription agreement.

TCV: Total Contract Value – Full value of the subscription agreement including both recurring revenue over the contract term and one-time payments.

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 amortization of allocated intangible assets.

Disclaimer

This presentation contains forward-looking statements that may be subject to various risks and uncertainties concerning the Group's growth and profitability, notably in the event of future acquisitions. The Group highlights that signatures of license contracts, which often represent investments for clients, are more significant in the second half of the year and may therefore have a more or less favorable impact on full-year performance. In addition, the Group notes that potential acquisition(s) could also impact this financial data. Furthermore, activity during the year and/or actual results may differ from those described in this document as a result of a number of risks and uncertainties set out in the 2017 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 26, 2018 under number D.18-0393. The distribution of this document in certain countries may be subject to prevailing laws and regulations. Natural persons present in these countries and in which this document is disseminated, published or distributed, should obtain information about such restrictions and comply with them.

About Axway

Axway (Euronext: AXW.PA) unlocks digital experiences by connecting individuals, systems, businesses and customer ecosystems with digital infrastructure solutions. AMPLIFY™, Axway's hybrid integration platform, connects data from any device anywhere, expands collaboration, fuels millions of apps and supplies real-time analytics to build customer experience networks. From idea to execution, Axway's expertise in API management, secure file exchange and B2B/EDI integration have solved the toughest data challenges for more than 11,000 organizations in 100 countries. To learn more, visit <http://www.investors.axway.com/en> or via the Axway IR mobile application available at Apple Store & Android.

Annexes

Axway Software: Revenue by geographic area

Q1 2018 (€m)	Q1 2018	Q1 2017 Restated*	Q1 2017 Reported	Total Growth	Organic Growth
France	17.3	19.5	19.5	-11.2%	-11.2%
Rest of Europe	14.5	15.7	15.8	-8.3%	-7.5%
Americas	28.0	28.0	29.5	-5.1%	0.2%
Asia/Pacific	3.4	3.3	3.6	-7.5%	1.6%
Axway Software	63.2	66.5	68.5	-7.7%	-4.9%

Q2 2018 (€m)	Q2 2018	Q2 2017 Restated*	Q2 2017 Reported	Total Growth	Organic Growth
France	19.9	19.1	19.1	4.2%	4.2%
Rest of Europe	18.0	17.8	17.9	0.6%	1.1%
Americas	30.3	30.5	33.2	-8.7%	-0.7%
Asia/Pacific	3.5	3.9	4.1	-14.6%	-10.3%
Axway Software	71.7	71.2	74.3	-3.5%	0.7%

* Revenue at 2018 scope and exchange rates

Axway Software: Revenue by business line

Q1 2018 (€m)	Q1 2018	Q1 2017 Restated*	Q1 2017 Reported	Total Growth	Organic Growth
License	8.2	9.0	9.6	-14.3%	-8.7%
Subscription	9.1	9.0	7.3	24.6%	1.5%
Maintenance	34.7	34.9	37.3	-6.8%	-0.5%
Services	11.2	13.6	14.4	-22.0%	-17.8%
Axway Software	63.2	66.5	68.5	-7.7%	-4.9%

Q2 2018 (€m)	Q2 2018	Q2 2017 Restated*	Q2 2017 Reported	Total Growth	Organic Growth
License	15.5	14.8	15.4	0.6%	4.7%
Subscription	9.5	9.2	9.8	-3.1%	3.3%
Maintenance	35.2	34.8	36.2	-2.8%	1.1%
Services	11.5	12.4	12.8	-10.2%	-7.3%
Axway Software	71.7	71.2	74.3	-3.5%	0.7%

* Revenue at 2018 scope and exchange rates

Axway Software : Consolidated Income Statement

Half-year 2018	H1 2018		H1 2017		Full-year 2017	
	€m	% Rev.	€m	% Rev.	€m	% Rev.
Revenue	134.9		142.8		299.8	
<i>of which License</i>	23.8		25.0		65.3	
<i>of which Subscription</i>	18.8		17.2		37.5	
<i>of which Maintenance</i>	69.9		73.5		145.4	
Sub-total License, Subscription & Maintenance	112.5		115.7		248.3	
Services	22.5		27.1		51.6	
Cost of sales	42.8		47.3		88.2	
<i>of which License and Maintenance</i>	11.7		13.2		23.8	
<i>of which Subscription</i>	11.2		10.6		21.1	
<i>of which Services</i>	19.9		23.5		43.3	
Gross profit	92.1	68.3%	95.5	66.9%	211.6	70.6%
Operating expenses	79.8		89.5		171.1	
<i>of which Sales and marketing</i>	39.0		42.7		83.8	
<i>of which Research and development</i>	26.8		31.5		59.4	
<i>of which General and administrative</i>	14.0		15.2		27.9	
Profit on operating activities	12.3	9.1%	6.0	4.2%	40.5	13.5%
Stock option expense	-0.4		-0.5		-1.3	
Amortization of intangible assets	-4.1		-4.5		-8.5	
Profit from recurring operations	7.8	5.7%	1.0	0.7%	30.7	10.2%
Other income and expenses	-2.8		-1.3		-2.9	
Operating profit	5.0	3.7%	-0.4	-0.3%	27.7	9.2%
Cost of net financial debt	-0.5		0.0		-1.1	
Other financial revenues and expenses	-0.4		0.5		1.8	
Income taxes	-0.2		2.5		-24.0	
Net profit	3.9	2.9%	2.6	1.8%	4.4	1.5%
Basic earnings per share (in €)	0.18		0.12		0.21	

Axway Software: Simplified Balance Sheet

Half-year 2018	30/06/2018 (€m)	30/06/2017 (€m)	31/12/2017 (€m)
Assets			
Goodwill	339.5	339.8	333.6
Intangible assets	45.1	61.1	48.9
Property, plant and equipment	13.9	14.9	14.4
Other non-current assets	25.5	52.1	23.7
Non-current assets	424.0	467.8	420.7
Trade receivables	55.6	48.7	71.1
Other current assets	30.3	28.3	31.2
Cash and cash equivalents	47.6	27.1	28.1
Current assets	133.5	104.2	130.4
Total Assets	557.5	572.1	551.1
Equity and Liabilities			
Share capital	42.4	42.4	42.4
Reserves and net profit	311.5	310.1	301.7
Total Equity	353.9	352.5	344.1
Financial debt - long-term portion	45.4	53.5	47.8
Other non-current liabilities	8.9	20.7	22.5
Non-current liabilities	54.2	74.2	70.3
Financial debt - short-term portion	5.6	5.9	4.5
Deferred Revenues	94.4	84.5	67.3
Other current liabilities	49.4	55.0	64.9
Current liabilities	149.3	145.4	136.7
Total Liabilities	203.6	219.6	207.0
Total Equity and Liabilities	557.5	572.1	551.1

Axway Software: Cash Flow Statement

Half-year 2018	H1 2018 (€m)	H1 2017 (€m)	Full-year 2017 (€m)
Net profit for the period	3.9	2.6	4.4
Net charges to amortization, depreciation and provisions	6.4	6.3	12.2
Other income and expense items	1.0	0.6	1.6
Cash from operations after cost of net debt and tax	11.3	9.6	18.2
Change in operating working capital requirements (incl. employee benefits liability)	16.0	16.5	-11.7
Cost of net financial debt	0.5	-	1.1
Income tax paid net of accrual	-2.3	-4.1	22.0
Net cash from operating activities	25.5	22.0	29.6
Net cash used in investing activities	-3.2	-60.4	-57.5
Proceeds on share issues	0.2	2.8	3.2
Dividends paid	-	-8.5	-8.5
Change in loans	-2.2	19.0	13.3
Net interest paid	-0.5	-	-1.1
Other flows	-	-0.2	-
Net cash from (used in) financing activities	-2.5	13.1	6.8
Effect of foreign exchange rate changes	-0.4	-1.1	-2.4
Net change in cash and cash equivalents	19.4	-26.4	-23.6
Opening cash position	28.1	51.7	51.7
Closing cash position	47.5	25.3	28.1

Axway Software: Impact on revenue of changes in scope and exchange rates

Half-year 2018 (€m)	H1 2018	H1 2017	Growth
Revenue	134.9	142.8	-5.5%
Changes in exchange rates		-7.9	
Revenue at constant exchange rates	134.9	134.9	0.0%
Changes in scope		+2.8	
Revenue at constant scope and exchange rates	134.9	137.7	-2.0%

Axway Software: Changes in exchange rates

Half-year 2018	Average rate	Average rate	Change
For 1€	H1 2018	H1 2017	
US Dollar	1.210	1.082	-10.6%