Interim financial report for the six-month period ended 30 June 2016

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Summary

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HALF-YEAR MANAGEMENT REPORT

KEY EVENTS IN THE FIRST HALF OF 2016

The highlights of the first half were as follow:

- acquisition of Appcelerator in January 2016. It significantly enhanced the Digital portfolio of Axway's product offerings. The integration of this business is progressing smoothly, and the commercial synergies are beginning to materialise and will naturally broaden in the months to come;
- global revenue of €144.7 million for HY 2016 with an increase in total growth of 7.1% and in organic growth of 5.7%. There was 10.3% organic growth in license revenues during the first half, with acceleration during the course of the second quarter of 2016 (up 22.9% in organic growth);
- profit on operating activities of €16.3 million, or 11.3% of revenue, as compared to €12.7 million or 9.4% over the same period in 2015;
- net profit of €11 million, or 7.6% of revenue, as compared to €2.3 million, or 1.7% for the same period in 2015.

BUSINESS PERFORMANCE IN THE FIRST HALF OF 2016

(in millions of euros)	1st half 2016	1st half 2015	2015 Restated(1)	Total Growth	Organic Growth
France	43.9	47.5	47.5	-7.5%	-7.5%
Rest of Europe	31.8	31.6	31.2	0.9%	2.1%
America's	61.5	49.6	52.1	24.0%	18.1%
Asia/Pacific	7.4	6.5	6.2	15.1%	20.1%
AXWAY	**144.7**	**135.1**	**136.9**	**7.1%**	**5.7%**

(1) At comparable perimeter and exchange rate.

For the third consecutive quarter, global operations in the United States have posted positive organic growth, at a level which was up by 23% in the second quarter 2016. This organic growth is supported by licenses, for which organic growth increased by more than 50% for the first half. Such performance comes from excellent sales and marketing operations (size of business portfolio, success rate).

The "Rest of Europe" region is continuing the growth already achieved by the first quarter, setting its growth at +2.1% for the whole first half. France is further stabilising its operations, with a second quarter that topped the first quarter. The Asia/Pacific region is continuing its strong growth, with more than 10 consecutive quarters of organic growth exceeding 10%.

(in millions of euros)	1st half 2016	1st half 2015	2015 Restated(1)	Total Growth	Organic Growth
Licenses	37.4	34.2	33.9	9.5%	10.3%
Maintenance	70.2	68.0	67.5	3.1%	4.0%
Services	37.1	32.8	35.5	12.9%	4.4%
AXWAY	**144.7**	**135.1**	**136.9**	**7.1%**	**5.7%**

(1) At comparable perimeter and exchange rate.

The key event of the first six months was the performance of licenses, which have seen positive organic growth of 10.3%. This results from an excellent second quarter, during which the Digital product offerings experienced significant success.

Axway is continuing to transform its Services operations with, in particular, the development of its Cloud revenue, which saw positive organic growth over the first half amounting to more than 30%. Maintenance represents 48.5% of revenue for the first half, and its organic growth rate has been increasing since the start of the year.

RESULTS FOR THE FIRST HALF OF 2016

Profit on operating activities was €16.3 million (11.3% of revenue), a significant increase compared to the first half of 2015. This shows, firstly, good progress in revenue over first half 2015 (+5.7% in organic growth), but also the benefits from the policy of streamlining operating expenses, which has been in place since last year.

	1st half 2016		1st half 2015	
	(in millions of euros)	(% Rev)	(in millions of euros)	(% Rev)
Total Revenue	**144.7**	**100.0%**	**135.1**	**100.0%**
Total Costs of sales	**44.4**	**30.7%**	**44.1**	**32.7%**
Gross profit:	**100.3**	**69.3%**	**91.0**	**67.3%**
Operating expenses				
Sales and marketing	42.2	29.2%	41.8	30.9%
Research and Development	27.0	18.7%	23.2	17.1%
General and administrative	14.8	10.2%	13.3	9.9%
Total operating expenses	**84.0**	**58.0%**	**78.3**	**57.9%**
Profit on operating activities	**16.3**	**11.3%**	**12.7**	**9.4%**

The gross margin of revenue for Licenses, Maintenance and services was up by 2.0 points. Gross profit rose by €9.3 million, which was mainly driven by our improvement in Services Margin in the first half of 2016.

Total operating expenses represented 58.0% of revenue in the first half of 2016 as opposed to 57.9% in the first half of 2015, an €5.7 million increase in absolute values, which is mainly due to the incremental costs coming from Appcelerator. But total operating expenses remain stable in percentage of revenue compared to first half of 2015.

Research and Development costs rose by €3.8 million following transformation in Digital product offerings like Appcelerator and in Cloud operations and enhancement in our dynamic technologies such as API and Operational Intelligence. We spent 18.7% of our total revenue in the first half of 2016, as opposed to 17.1% in 2015.

General and administrative expenses increased by €1.5 million, or 0.3% of revenue.

Financial situation of the Group

At 30 June 2016, Axway's financial position remains robust with a cash balance in excess of €41.7 million and shareholders' equity totalling €338.4 million. Banking debt at 30 June 2016 is €31.2 million, which includes the acquisition of Appcelerator in January 2016. The Company's banking covenants are thus comfortably respected. Earnings per share amounted to €0.53 at first half of 2016 compared with €0.11 in first half of 2015.

MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2016

The level and nature of risks that the Group is subject are not changed compared to the risk factors set out on pages 102 to 110 of the 2015 Registration Document.

However, the evolution of the economy is one of the main factors influencing the course of business during the second half.

OUTLOOK FOR THE SECOND HALF OF 2016

To date, there is no known event that may have a significant impact on the financial position of Axway.

As with each year, performance in the first half does not provide any particular indication of overall performance in the full year. In the short term, and continuing the trend seen in the first half of 2016, the next half-year looks encouraging, with promising commercial portfolios.

EVENTS AFTER THE REPORTING PERIOD

Between 1 July 2016 and the date of the Board of Director's meeting, there were no significant events likely to impact the financial statements presented.

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

INCOME STATEMENT

(in thousands of euros)	Notes	1st half 2016 Amount	1st half 2015 Amount
Revenue	**3,4**	**144,691**	**135,073**
Staff costs	5	-97,105	-92,371
External expenses		-33,128	-31,806
Taxes and duties		-1,431	-1,237
Depreciation and amortisation, Provisions and impairment		-3,132	-2,515
Other operating expenses and income from recurring operations		6,411	5,574
Operating profit on business activity		**16,306**	**12,717**
as % of revenue excl. VAT		***11.3%***	***9.4%***
Share-based payment expense		-208	-308
Amortisation of allocated intangible assets		-3,833	-3,009
Profit from recurring operations		**12,265**	**9,400**
as % of revenue excl. VAT		***8.5%***	***7.0%***
Other operating income and expenses	6	-1,523	-8,138
Operating profit		**10,742**	**1,262**
as % of revenue excl. VAT		***7.4%***	***0.9%***
Cost of net financial debt	7	-154	-234
Other financial income and expense	7	946	-96
Tax charge	8	-494	1,385
Net income from associates		-	-
Net profit for the period from continuing operations		**11,040**	**2,318**
Profit after tax from discontinued operations		-	-
Attributable to Group		**11,040**	**2,318**
as % of revenue excl. VAT		***7.6%***	***1.7%***
Minority interests		-0	0
NET PROFIT		**11,040**	**2,318**

Earnings per share

(in euros)	Notes	1st half 2016	1st half 2015
Basic earnings per share	**9**	**0.53**	**0.11**
Fully diluted earnings per share	**9**	**0.53**	**0.11**

OTHER COMPREHENSIVE INCOME STATEMENT ITEMS

(in thousands of euros)	1st half 2016	1st half 2015
Net profit	**11,040**	**2,318**
Other comprehensive income statement:		
Actuarial gains and losses on pension plans	-214	865
Tax impact	74	-287
Subtotal of items not reclassifiable to profit or loss	**-141**	**577**
Minority interests	-1	-1
Translation differential	-2,469	12,309
Change in the value of derivatives	46	256
Tax impact	-16	-12
Subtotal of items reclassifiable to profit or loss	**-2,440**	**12,553**
Total other comprehensive income statement	**-2,581**	**13,130**
TOTAL COMPREHENSIVE PROFIT	**8,459**	**15,448**
Minority interests	-2	-1
Attributable to Group	**8,461**	**15,449**

BALANCE SHEET

ASSETS *(in thousands of euros)*	Notes	30/06/2016	31/12/2015
Goodwill	10	279,936	251,838
Intangible assets		52,348	40,909
Property and equipment		8,547	7,772
Financial assets		2,354	1,780
Deferred tax assets		50,949	45,240
Other non-current assets		**394,133**	**347,539**
Inventories		234	323
Trade accounts receivable	11	69,899	73,856
Other current receivables		23,382	22,204
Cash and cash equivalents		41,715	44,664
Current assets		**135,230**	**141,048**
TOTAL ASSETS		**529,363**	**488,587**

LIABILITIES AND EQUITY *(in thousands of euros)*	Notes	30/06/2016	31/12/2015
Share capital		41,609	41,548
Capital reserves		113,458	113,152
Consolidated reserves		172,285	158,062
Profit for the period		11,040	27,856
Equity – Group share		**338,393**	**340,617**
Minority interests		**1**	**3**
TOTAL EQUITY	**12**	**338,394**	**340,620**
Financial debt – long-term portion	13	31,924	7,518
Deferred tax liabilities		5,872	7,055
Other non-current liabilities		8,905	8,621
Non-current liabilities		**46,701**	**23,194**
Financial debt – short-term portion	13	2,943	1,465
Trade accounts payables		8,629	8,483
Deferred revenue		86,875	66,609
Other current liabilities	14	45,821	48,215
Current liabilities		**144,268**	**124,773**
TOTAL LIABILITIES		**190,969**	**147,966**
TOTAL LIABILITIES AND EQUITY		**529,363**	**488,587**

CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Share captal	Capital reserves	Treasury shares	Reserves and consolidated profit	Other comprehensive income statement items	Total attribuable to Group	Minority interests	Total
Equity at 30/06/2015	**41,170**	**109,790**	**-462**	**125,728**	**31,323**	**307,549**	**2**	**307,551**
Capital transactions	378	2,455	-	-	-	2,832		2,832
Share-based payments	-	237	-	-	-	237		237
Transactions in treasury shares	-	-	86	-	-	86		86
Earnings appropriation	-	-	-	0	-	0		0
Changes in scope of consolidation	-	-	-	-	-	-		-
Others movements	-	670	-	-1,639	-	-969		-969
Transactions with shareholers	**378**	**3,362**	**86**	**-1,639**	**-**	**2,185**	**-**	**2,185**
Profit for the year	-	-	-	25,538	-	25,538	0	25,538
Other comprehensive income statement	-	-	-	-249	5,594	5,345	1	5,346
Total comprehensive profit for the year	**-**	**-**	**-**	**25,289**	**5,594**	**30,883**	**1**	**30,884**
Equity at 31/12/2015	**41,548**	**113,152**	**-376**	**149,377**	**36,917**	**340,617**	**3**	**340,620**
Capital transactions	62	100	-	-	-	161		161
Share-based payments		207		-	-	207		207
Transactions in treasury shares			-196	-	-	-196		-196
Earnings appropriation				-8,310	-	-8,310		-8,310
Changes in scope of consolidation				-	-	-		-
Others movements			-	-2,548	-	-2,548		-2,548
Transactions with shareholers	**62**	**306**	**-196**	**-10,858**	**-**	**-10,686**	**-**	**-10,686**
Profit for the year	-	-	-	11,040	-	11,040	-0	11,040
Other comprehensive income statement	-	-	-	-	-2,579	-2,579	-1	-2,581
Total comprehensive profit for the year	**-**	**-**	**-**	**11,040**	**-2,579**	**8,461**	**-2**	**8,459**
EQUITY AT 30/06/2016	**41,609**	**113,458**	**-572**	**149,560**	**34,338**	**338,393**	**1**	**338,394**

STATEMENT OF CASH FLOWS

The closing cash position is cash and cash equivalents less bank overdrafts.

(in thousands of euros)	1st half 2016	1st half 2015
Consolidated net profit (including minority interests)	**11,040**	**2,318**
Net increase in depreciation, amortisation and provisions	2,832	11,128
Unrealised gains and losses relating to changes in fair value	-221	-2,187
Share-based payment expense	180	308
Other calculated income and expense	-	-
Gains and losses on disposal	-2	201
Cash from operations after cost of net debt and tax	**13,829**	**11,768**
Net cost of financial debt	154	234
Income taxes (including deferred tax)	494	-1,385
Cash from operations before cost of net debt and tax (A)	**14,477**	**10,616**
Tax paid (B)	-1,136	-2,294
Changes in operating working capital requirements (including liabilities related to employee benefits) (C)	8,654	27,801
Net cash from operating activities (D) = (A+B+C)	**21,995**	**36,123**
Purchase of tangible and intangible fixed assets	-3,426	-1,478
Proceeds from sale of tangible and intangible fixed assets	0	1
Purchase of financial assets	-528	-153
Proceeds from sale of financial assets	219	-
Impact of changes in the scope of consolidation	-45,945	-6
Variations of lending	-680	112
Net cash from (used in) investing activities (E)	**-50,360**	**-1,524**
Proceeds on the exercise of stock options	115	253
Purchase and proceeds from disposal of treasury shares	-	-
Dividends paid during the period	0	-
Change in borrowings	24,753	-40,130
Net interest paid (including finance leases)	-154	-234
Other cash flow relating to financing activities	-164	45
Net cash from (used in) financing activities (F)	**24,550**	**-40,065**
Effect of foreign exchange rate changes (G)	-558	919
NET CHANGE IN CASH AND CASH EQUIVALENTS (D + E + F + G)	**-4,373**	**-4,547**
Opening cash position	43,866	44,568
Closing cash position	39,493	40,021

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes to the consolidated financial statements

Note 1 Accounting policies

These condensed interim consolidated financial statements for the six months ended 30 June 2016, together with the accompanying notes, were prepared under the responsibility of the Board of Directors and approved at its meeting of 26 July 2016.

1.1 Basis of preparation of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements for the six months ended 30 June 2016 were prepared in accordance with IAS 34 Interim Financial Reporting and do not therefore contain all the information required for the annual financial statements. For this reason, they should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015, which were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

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

1.2 Summary of the main accounting policies

The accounting policies and principles applied in these condensed interim consolidated financial statements are the same as those used to prepare the financial statements for the year ended 31 December 2015, with the exception of provisions specific to the preparation of interim financial statements:

- tax expense is calculated by applying the tax rate for the period ended in December 2016 to profit before tax for the period ended in June 2016;
- retirement commitments for the period were estimated using actuarial studies carried out for the 2015 financial year, discounted for the first half of 2016.

The new standards, amendments to existing standards and interpretations, which must be applied for the accounting periods beginning on or after 1 January 2016 did not have any material impact on the Group's financial statements and operating profit. These relate to:

- Annual improvements (2010-2012 cycle);
- Amendments to IAS 19 Defined Benefit Plans: Employee;
- Contributions;
- Annual improvements (2012-2014 cycle);
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable;
- Methods of Depreciation and Amortization;
- Amendments to IAS 27 Equity method in Separate Financial Statements;
- Amendment to IAS 1 Disclosure Initiative: Presentation of Financial Statements; and
- Amendments to IFRS 11 Acquisition of Interests in Joint Operations.

The Group chose not to apply the standards and interpretations not yet adopted by the European Union for accounting periods beginning on or after 1 January 2016 or not mandatory at

30 June 2016, namely:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment;
- entities: Applying the Consolidation Exception;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses; and
- Amendments to IAS 7 Disclosure Initiative.

The main accounting methods used by the Group are described in the notes to the annual financial statements.

Note 2 Key events and scope of consolidation

2.1 Change in the scope of consolidation

a. Deconsolidated entities

During the first half of 2016, the Group liquidated Systar Inc. in the United States. This company was removed from the scope of the consolidation.

b. Newly-consolidated entities

At 14 January 2016, Axway Software, through its subsidiary Axway Inc. acquired 100% of shares of the company Appcelerator Inc. in the United States. Appcelerator Inc. owns 100% of shares of its four affiliates: Appcelerator GmbH in Germany, Appcelerator UK, Appcelerator China and Appcelerator Singapore.

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 3 Revenue

3.1 Revenue by activity

(in millions of euros)	1st half 2016		1st half 2015	
Licences	37.4	25.9%	34.2	25.3%
Maintenance	70.2	48.5%	68.0	50.4%
Services	37.1	25.6%	32.8	24.3%
TOTAL REVENUE	**144.7**	**100.0%**	**135.1**	**100.0%**

3.2 International revenue

(in millions of euros)	1st half 2016		1st half 2015	
France	43.9	30.3%	47.5	35.1%
International	100.8	69.7%	87.6	64.9%
TOTAL REVENUE	**144.7**	**100.0%**	**135.1**	**100.0%**

Note 4 Segment information

Geographical breakdown of revenue

(in millions of euros)	1st half 2016		1st half 2015	
France	43.9	30.3%	47.5	35.1%
Rest of Europe	31.8	22.0%	31.6	23.4%
Americas	61.5	42.5%	49.6	36.7%
Asia Pacific	7.4	5.1%	6.5	4.8%
TOTAL REVENUE	**144.7**	**100.0%**	**135.1**	**100.0%**

Note 5 Employee costs

5.1 Breakdown of employee costs

(in thousands of euros)	1st half 2016	1st half 2015
Salaries	76,350	72,308
Social charges	20,442	19,341
Employee profit sharing	313	721
TOTAL	**97,105**	**92,371**

5.2 Workforce

No. of employees at 30 June	1st half 2016	1st half 2015
France	642	692
International	1,315	1,234
TOTAL	**1,957**	**1,926**

Average no. of employees	1st half 2016	1st half 2015
France	655	698
International	1,298	1,244
TOTAL	**1,952**	**1,942**

Note 6 Other operating income and expenses

In the first half of 2016, the non-recurring expenses recognised under this item are mainly related to the acquisition of Appcelerator and relate to the specific fees and costs in respect of this acquisition (€1.5 million).

In the first half of 2015, expenses of €8.1 million recorded under this heading relate to the Group restructuring.

Note 7 Financial income and expenses

7.1 Cost of net financial debt

(in thousands of euros)	**1st half 2016**	**1st half 2015**
Income from cash management	34	84
Interest expense	-188	-318
TOTAL	**-154**	**-234**

7.2 Other financial income and expenses

(in thousands of euros)	**1st half 2016**	**1st half 2015**
Foreign exchange gains and losses	1,193	40
Reversal of provisions	269	321
Other financial income	-	-
Total other financial income	**1,462**	**361**
Charges to provisions	-	-281
Discounting of retirement commitments	-82	-59
Discounting of employee profit sharing	-	-
Change in the value of derivatives	-37	30
Other financial expenses	-397	-148
Total other financial expense	**-516**	**-457**
TOTAL OTHER FINANCIAL INCOME & EXPENSE	**946**	**-96**

Note 8 Tax expense

(in thousands of euros)	1st half 2016	1st half 2015
Current tax	-1,504	-2,401
Deferred tax	1,010	3,786
TOTAL	**-494**	**1,385**

The prior earnings and future growth prospects of the US subsidiary Axway Inc. resulted in the degree to which deferred tax assets are activated being based on the profits for five years, from the half-yearly closing for 2013, rather than two years as was previously the case. This option led to the activation of deferred tax assets of €0.7 million at 30 June 2016.

At 30 June 2016, unrecognised deferred tax assets in relation to tax loss carryforwards amounted to €25.7 million and mainly concerned the following subsidiaries: Axway Inc. (€16.2 million), Appcelerator Inc. (€5.5 million), Axway Pte Ltd in Singapore (€1.0 million) and Axway UK (€0.7 million).

Note 9 Earnings per share

(in euros)	1st half 2016	1st half 2015
Net profit – Group share	11,040,349	2,317,844
Weighted average no. ordinary shares in issue	20,793,375	20,578,418
BASIC EARNINGS PER SHARE	**0.53**	**0.11**

(in euros)	1st half 2016	1st half 2015
Net profit – Group share	11,040,349	2,317,844
Weighted average number of ordinary shares in issue	20,793,375	20,578,418
Weighted average number of securities retained in respect of dilutive items	201,849	243,216
Weighted average number of shares retained for the calculation of diluted net earnings per share	20,995,224	20,821,634
FULLY DILUTED EARNINGS PER SHARE	**0.53**	**0.11**

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NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 10 Goodwill

The movements in the first half were as follows:

(in thousands of euros)	Gross value	Impairment	Net
31 December 2015	**260,658**	**8,820**	**251,838**
Acquisition of Appcelerator	32,014		32,014
Translation differential	-3,966	-50	-3,916
30 JUNE 2016	**288,706**	**8,770**	**279,936**

The goodwill recorded relates to the acquisition of Appcelerator.

(in thousands of euros)	
Acquisition price	46,766
Discounted value of earn-out	-
Acquisition cost	**46,766**
Net equity acquired	-6,150
Difference	**52,916**
Assets and liabilities at fair value net of tax	20,902
GOODWILL	**32,014**

As of 30 June 2016, an independent expert was appointed to assess the fair value of the acquired assets and liabilities. Since the work of this expert was in progress at 30 June 2015, the intangible assets were temporarily valued at €15.3 million.

This assessment will be adjusted in accordance with the expert's conclusions and will become definitive no later than 31 December 2016.

The details of Appcelerator's net assets are given below:

(in thousands of euros)	Carrying amount with the seller	Restatements	Fair value
Intangible assets	627	14,680	15,307
Property, plant and equipement			-
Financial assets	211	-100	111
Differed tax assets		6,323	6,323
Current assets	1,702		1,702
Cash and cash equivalents	821		821
Financial liabilities			-
Provision for post-employment benefits			-
Current liabilities	-9,511		-9,511
NET ASSETS ACQUIRED	**-6,150**	**20,902**	**14,753**

Note 11 Trade receivables

(in thousands of euros)	30/06/2016	31/12/2015
Trade accounts receivable	58,094	67,820
Accrued income	12,645	6,948
Accrued credit notes	-	-
Provision for doubtful debtors	-840	-911
TOTAL	**69,899**	**73,856**

Note 12 Equity

12.1 Changes in the share capital

At 31 December 2015, the share capital stood at €41,547,832, comprising 20,773,916 fully paid-up shares with a nominal value of €2.00 each.

In the first half of 2016, 7,725 share subscription options were exercised and 23,040 free shares were distributed, leading to the creation of 30,765 new shares at the price of €2.00, with a share premium of €12.9.

At 30 June 2016, the share capital stood at €41,609,362, comprising 20,804,681 fully paid-up shares with a nominal value of €2.00 each.

12.2 Dividends

The General Shareholders' Meeting of Axway Software held on

21 June 2016 to approve the 2015 financial statements approved a dividend of €0.40 per share, representing a total of €8,310 thousand.

This dividend was scheduled for payment on 7 July 2016.

Note 13 Financial liabilities – Net debt

(in thousands of euros)	Current	Non-current	30/06/2016	31/12/2015
Bank loans	128	28,816	28,944	4,342
Employee profit sharing	556	3,108	3,664	3,803
Debt related to financial leasing	37	-	37	40
Current bank overdrafts	2,222	-	2,222	798
FINANCIAL DEBT	**2,943**	**31,924**	**34,868**	**8,983**
Cash and cash equivalents	-41,715	-	-41,715	-44,664
NET DEBT	**-38,771**	**31,924**	**-6,847**	**-35,681**

The impact of Appcelerator's acquisition on net debt is negative €45.9 million, analysed as follows:

(in thousands of euros)	
Acquisition cost	-46,766
Net debt /net cash of company acquired	821
Earn-out	-
IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION	**-45,945**

Note 14 Other current liabilities

(in thousands of euros)	30/06/2016	31/12/2015
Employees	18,906	18,581
Social security	7,902	10,382
Value added tax	6,653	11,796
Other tax liabilities	-35	5
Corporate income tax	809	927
Other liabilities	2,848	3,422
Restructuring provision	428	3,102
Dividend to pay	8,310	-
TOTAL	**45,821**	**48,215**

DEFERRED INCOME

The rise in deferred income compared with 31 December 2015 primarily relates to the maintenance activities, for which invoices are mainly issued at the beginning of the year. The deferred income figure at 30 June 2016 is consistent with the growth achieved in the maintenance activity in the first half of 2016.

OTHER INFORMATION

Note 15 Related-party transactions

The agreements concluded with the parties related to the Axway Group were identified in Note 2.3 "Related-party transactions" to Axway's 2015 Registration Document, filed with the *Autorité des marchés financiers* on 25 April 2016. In addition, this Registration Document includes the report on regulated agreements.

There is no additional agreement concluded with parties related to the Axway Group during the first half of 2016, other than those described in the 2015 Registration Document.

Note 16 Off-balance sheet commitments and contingent liabilities

The Group's off-balance sheet commitments are those made or received by Axway and its subsidiaries. These commitments were not subject to any significant changes compared with 31 December 2015.

At 30 June 2016, the Group complied with all covenants and commitments included in the revolving credit contract.

Three financial ratios must be met under covenants entered into with partner banking establishments. These ratios are:

- net debt/EBITDA ratio of below 3.0 from the date of signing until 30 June 2018 and below 2.5 from 31 December 2018 and 2 from 31 December 2020. This ratio was -0.21 at 30 June 2016;
- EBITDA/financial expense ratio of above 5.0 throughout the term of loan. This ratio was 181.99 at 30 June 2016;
- net debt/shareholders' equity ratio of lower than 1.0 throughout the term of the loan. This ratio was -0.03 at 30 June 2016.

A €20 million drawdown was made in January of 2016 to finance the acquisition of Appcelerator. At 30 June 2016, unused revolving credit amounts to €105 million.

Note 17 Exceptional events and legal disputes

As far as the Group is aware, and notwithstanding the information provided in this report, there were no disputes or litigation known of or under way that may have a significant negative impact on the Group's financial position, at the date of this report.

Note 18 Events after the reporting period

Between 1 July 2016 and the date of the Board of Director's meeting, there were no significant events likely to impact the financial statements presented.

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STATUTORY AUDITOR'S REPORT ON THE INTERIM FINANCIAL STATEMENTS

To the Shareholders,

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

- a limited review of the accompanying condensed interim consolidated financial statements of Axway Software for the period from 1 January to 30 June 2016;
- verification of 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. 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 mainly consists of interviewing management in charge of accounting and financial matters and applying analytical procedures. These procedures are less broad in scope that those required for an audit performed in accordance with French auditing standards. Accordingly, a limited review only provides moderate assurance, which is less assurance than that provided by an audit, that the financial statements taken as a whole are free of material misstatements.

Based on our limited review, we did not identify any material misstatements that would cause us to believe that the condensed interim consolidated financial statements do not comply with IAS 34, the IFRS relating to interim financial reporting adopted by the European Union.

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 and Courbevoie, 29 July 2016

The Statutory Auditors

Auditeurs & Conseils Associés	**Mazars**
François Mahé	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 financial statements presented in the interim financial report 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 Company and of all the entities included in the scope of consolidation, and that the half-year management report provides a fair review of the significant events that occurred in the first six months of the financial year and their impact on the interim 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 financial year.

Puteaux, 29 July 2016

Jean-Marc LAZZARI

Chief Executive Officer

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