Interim financial report at 30 June 2017

2017

axway
imagination takes shape

Contents

Half-year management report

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Key events in the first half of 2017

The key events in the first half were as follows:

- the acquisition in February 2017 of Syncplicity, a specialist in Enterprise File Sharing and Synchronization (EFSS) solutions, enriched the Digital portfolio of Axway solutions and the Axway AMPLIFY™ platform;
- total revenue of €142.8 million, or -6% in organic growth;
- revenue from Cloud activity of €17.2 million, +14.8% in organic growth;
- revenue from Licenses of €25.0 million, or -34.0% in organic growth;
- profit on operating activities of €6.0 million, or 4.2% of revenue.

Business performance in the first half of 2017

Axway's activity in the first half of 2017 was characterized by a downturn in licensing revenue and substantial growth in Cloud revenue over the first half of 2016 for these activities. The volume of growth in Cloud revenue did not offset the decline in licensing revenues, and thus resulted in a half-year in organic decline of -6% compared to the first half of 2016. Cloud revenue stood at €17.2 million or 14.8% growth, representing 12% of activity for the half-year. Licenses, with revenue of €25 million, down by -34.0%, now represent 18% of activity. Services, an activity which is now presented without Cloud revenues, realized revenue of €27.1 million or a decline of -3.9%. Maintenance confirmed several years of steady performance with revenue of €73.5 million or 3.7% growth over the same period in 2016. The acquisition of Syncplicity early in the year led to the integration and development of synergies and mobilized the Company, specifically its sales network, for the first six months.

(in millions of euros)	1st half 2017	1st half 2016	2016 Restated	Total Growth	Organic Growth (1)
France	38.7	43.9	43.9	-11.9%	-11.9%
Rest of Europe	33.7	31.8	31.0	5.7%	8.7%
America's	62.7	61.5	69.4	1.9%	-9.6%
Asia/Pacific	7.8	7.4	7.7	3.9%	0.9%
Axway	**142.8**	**144.7**	**151.9**	**-1.3%**	**-6.0%**

(1) At comparable perimeter and exchange rate.

For the first half of 2017, France suffered a significant negative comparison effect with organic growth of -11.9%, due in particular to the performance of licenses in the first half of 2016, which had signed an important contract. It also had a more complicated second quarter for maintenance, with a decline in the renewal rate.

The rest of Europe benefited from several excellent signatures, notably in Belgium and the Netherlands, enabling +8.7% growth.

The United States, with €62.7 million in revenue, was also penalized by an unfavorable comparison basis in licenses, with a significant win in June 2016. The strong growth of Cloud activity does not offset the loss in sales of licenses and brings overall growth for the region to -9.6% for the first half, compared to +18.1% in 2016 over the same period.

Asia Pacific held steady with positive growth of 0.9%, driven by good performance in maintenance, services, and the Cloud.

(in millions of euros)	1st half 2017	1st half 2016	2016 Restated	Total Growth	Organic Growth (1)
Licenses	25.0	37.4	37.9	-33.3%	-34.0%
Cloud	17.2	-	15.0	0.0%	14.8%
Maintenance	73.5	70.2	70.8	4.6%	3.7%
Services	27.1	37.1	28.2	-26.7%	-3.9%
Axway	**142.8**	**144.7**	**151.9**	**-1.3%**	**-6.0%**

(1) At comparable perimeter and exchange rate.

The decrease in licenses continued in the second quarter, following the trend seen over the first three months. This was due to delays in signatures in licenses during the quarter as well as the unfavorable effect of the comparison basis for the same quarter of 2016. In addition, the integration of the last two acquisitions (Appcelerator and Syncplicity) required that the sales teams appropriate the new technologies (Mobile and EFSS) and the subscription business model. By technology, market demand for API (Application Programming Interface) remains extremely high, and Axway's competitive position remains very favorable.

Cloud activity, with strong revenue growth over the half-year, also delivered new signatures (ACV of more than €4.3 million and TCV of more than €7.3 million) generating embedded revenue for the coming years. However, the accounting recognition mechanism for Cloud activity does not allow offsetting of the downturn in licenses over the half-year.

Maintenance performance was highly satisfactory over the half-year. The slowdown in growth over the second quarter reflects the accounting recognition of annual cancellations and does not comprise a trend for this activity.

The slowdown in revenue from services is the result of a lower volume of implementation projects due to reduced licenses.

ACV/VAC Annual Contract Value is the signed revenue still to come during the year.

TCV/VTC Total Contract Value is the signed revenue still to come until the end of the contract.

Results for the first half of 2017

Profit on operating activities stood at 4.2% of revenue, compared to 11.3% in the first half of 2016. This downturn is exclusively the result of the loss of licensing revenue in the first half of 2017.

	1st half 2017		1st half 2016	
	(in millions of euros)	*(% Rev)*	*(in millions of euros)*	*(% Rev)*
Total Revenue	**142.8**	**100.0%**	**144.7**	**100.0%**
Costs of sales				
Product Revenue	13.2	9.3%	12.5	8.6%
Cloud	10.6	7.4%	6.5	4.5%
Services	23.5	16.5%	25.5	17.6%
Total Costs of sales	**47.3**	**33.1%**	**44.4**	**30.7%**
Gross profit:	**95.5**	**66.9%**	**100.3**	**69.3%**
Operating expenses				
Sales and marketing	42.7	29.9%	42.2	29.2%
Research & Development	31.5	22.1%	27.0	18.7%
General and administrative	15.2	10.7%	14.8	10.2%
Total operating expenses	**89.5**	**62.7%**	**84.0**	**58.0%**
Profit on operating activities	**6.0**	**4.2%**	**16.3**	**11.3%**

The downturn in licenses (€12.5 million compared to the first half of 2016) directly impacted gross profit and then profit on operating activities, which was €6.0 million or €10.3 million less than profit on operating activities in the first half of 2016.

The overall gross profit was down 2.4 points or -€4.8 million in absolute value.

Note that Cloud activity, which reached breakeven in 2016, has achieved gross profit of over 38% as of this half-year.

The Company's priority regarding Services activity (excluding the Cloud) is improving the activity's gross profit, and the first half is in line with this target (gross profit of 13.3%).

The gross margin on licenses and maintenance fell by €9.9 million in absolute value, to stand at 86.6% compared to 88.4% in the first half of 2016.

Total operating expenses rose by €5.5 million to stand at 62.7% of revenue in the first half of 2017 as opposed to 58.0% in the first half of 2016.

Research & Development costs rose by €4.5 million, due primarily to additional expenses occasioned by the acquisition of Syncplicity. We spent 22.1% of our total revenue in the first half of 2017 on Research & Development, as opposed to 18.7% in the first half of 2016.

Sales and marketing expenses were contained, with an increase of €0.5 million in value and 0.7 percentage points in revenue.

General and administrative expenses were also contained, with an increase of €0.4 million in value, and 0.5 percentage points in revenue.

Financial situation of the Group

At 30 June 2017, Axway's financial position remains solid, with €27.1 million in cash and cash equivalents. Bank debt at the same date is €55.9 million.

These financial items include the substantial investments made in the first half with the acquisition of Syncplicity.

Shareholders' equity at 30 June 2017 was €352.5 million, including the dividend payment (€8.5 million) made in June.

Earnings per share amounted to €0.12 at 30 June 2017 compared with €0.53 at 30 June 2016.

Main risks and uncertainties for the second half of 2017

The level and nature of risks that the Group is subject are not changed compared to the risk factors set out on pages 39 to 48 of the 2016 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 2017

Axway's positioning since early 2016 around digital transformation resulted notably in a transformation of the Company's business model. The Medium-Term Plan drawn up by the Company planned for a "hold, at best" performance in licensing revenue (driven by the historic Foundation offer), coupled with substantial growth in subscription revenue (galvanized by the Digital offer). The first half of 2017 saw an acceleration of this transformation with a swifter decline than anticipated on the weak momentum of licenses.

However, the year's performance in licenses is traditionally delivered in the second half and, although the observed downturn is indeed a signal, it cannot be extrapolated across the full fiscal year. Analysis of the pipeline suggests that the delay in licenses observed in the first half cannot be made up by the end of the year. Nevertheless, the Company is confident in its ability to achieve the same level in licenses in the second half as in 2016. Moreover, growth in the Cloud in the second half will continue the pattern set in the first six months of the year. Under these conditions, the Company is targeting stabilization of overall revenue (in organic growth) for the full year 2017.

The simultaneous establishment of a cost-savings plan during the second half (as the Company has already done in the past) should make it possible to achieve profit on operating activities in excess of 13% over the year. At the same time as these short-term actions, the Group will naturally continue to conduct a more in-depth review during the half-year to evaluate the changes to be made to accelerate the transformation of the business model as well as the growth in the proportion of recurring revenue in the Company's total revenue.

Events after the reporting period

Between 1 July 2017 and the date of the Board of Director's meeting, there were no significant events likely to impact the financial statements presented.

Condensed consolidated financial statements for the six months ended 30 June 2017

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Income statement

(in thousands of euros)	Notes	1st half 2017 Amount	1st half 2016 Amount
Revenue	**3.4**	**142,786**	**144,691**
Staff costs	5	-97,944	-97,105
External expenses		-40,232	-33,128
Taxes and duties		-1,145	-1,431
Depreciation and amortisation, Provisions and impairment		-3,546	-3,132
Other operating expenses and income from recurring operations		6,064	6,411
Operating profit on business activity		**5,983**	**16,306**
as % of revenue excl. VAT		***4.2%***	***11.3%***
Share-based payment expense		-542	-208
Amortisation of allocated intangible assets		-4,459	-3,833
Profit from recurring operations		**982**	**12,265**
as % of revenue excl. VAT		***0.7%***	***8.5%***
Other operating income and expenses	6	-1,340	-1,523
Operating profit		**-358**	**10,742**
as % of revenue excl. VAT		***-0.3%***	***7.4%***
Cost of net financial debt	7	-21	-154
Other financial income and expense	7	485	946
Tax charge	8	2,529	-494
Net income from associates		-	-
Net profit for the period from continuing operations		**2,635**	**11,040**
Profit after tax from discontinued operations		-	-
Attributable to Group		**2,635**	**11,040**
as % of revenue excl. VAT		***1.8%***	***7.6%***
Minority interests		-1	-0
Net profit		**2,634**	**11,040**

Earnings per share

(in euros)	Notes	1st half 2017	1st half 2016
Basic earnings per share	9	0.12	0.53
Fully diluted earnings per share	9	0.12	0.53

Other comprehensive income statement

(in thousands of euros)	1st half 2017	1st half 2016
Net profit	**2,635**	**11,040**
Other comprehensive income statement:		
Actuarial gains and losses on pension plans	150	-214
Tax impact	-52	74
Subtotal of items not reclassifiable to profit or loss	**98**	**-141**
Minority interests	-1	-1
Translation differential	-23,299	-2,469
Change in the value of derivatives	-	46
Tax impact	-	-16
Subtotal of items reclassifiable to profit or loss	**-23,300**	**-2,440**
Total other comprehensive income statement	**-23,202**	**-2,581**
Total comprehensive profit	**-20,567**	**8,459**
Minority interests	1	-2
Attributable to Group	**-20,568**	**8,461**

Balance sheet

Assets *(in thousands of euros)*	Notes	30/06/2017	31/12/2016
Goodwill	10	339,750	288,801
Intangible assets		61,096	49,765
Property and equipment		14,929	14,532
Financial assets		3,771	3,235
Deferred tax assets		48,291	46,328
Other non-current assets		**467,838**	**402,662**
Inventories		108	282
Trade accounts receivable	11	48,691	78,209
Other current receivables		28,344	24,973
Cash and cash equivalents		27,092	51,716
Current assets		**104,234**	**155,181**
Total assets		**572,072**	**557,842**

Liabilities and equity *(in thousands of euros)*	Notes	30/06/2017	31/12/2016
Share capital		42,375	42,042
Capital reserves		120,044	117,079
Consolidated reserves		187,450	184,219
Profit for the period		2,634	31,477
Equity – Group share		**352,504**	**374,816**
Minority interests		**2**	**1**
Total equity	**12**	**352,506**	**374,818**
Financial debt – long-term portion	13	53,488	35,450
Deferred tax liabilities		326	995
Other non-current liabilities		20,343	9,303
Non-current liabilities		**74,156**	**45,748**
Financial debt – short-term portion	13	5,928	3,685
Trade accounts payables		18,384	16,466
Deferred revenue	14	84,485	74,492
Other current liabilities	15	36,612	42,634
Current liabilities		**145,410**	**137,276**
Total liabilities		**219,566**	**183,025**
Total liabilities and equity		**572,072**	**557,842**

Statement of changes in 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 30/06/2016	**41,609**	**113,458**	**-572**	**149,560**	**34,338**	**338,393**	**1**	**338,394**
Capital transactions	433	2,850	-	-	-	3,283		3,283
Share-based payments	-	771	-	-	-	771		771
Transactions in treasury shares	-	-	348	-	-	348		348
Earnings appropriation	-	-	-	-4	-	-4		-4
Changes in scope of consolidation	-	-	-	-	-	-		-
Others movements	-	-	-	2,323	-	2,323		2,323
Transactions with shareholers	**433**	**3,621**	**348**	**2,319**	**-**	**6,720**	**-**	**6,720**
Profit for the year	-	-	-	20,436	-	20,436	-	20,436
Other comprehensive income statement	-	-	-	-	9,267	9,267	-0	9,267
Total comprehensive profit for the year	**-**	**-**	**-**	**20,436**	**9,267**	**29,703**	**-0**	**29,703**
Equity at 31/12/2016	**42,042**	**117,079**	**-224**	**172,314**	**43,605**	**374,816**	**1**	**374,818**
Capital transactions	333	2,480				2,814		2,814
Share-based payments		485				485		485
Transactions in treasury shares			-236			-236		-236
Earnings appropriation				-8,462		-8,462		-8,462
Changes in scope of consolidation						-		-
Others movements				3,654		3,654		3,654
Transactions with shareholers	**333**	**2,965**	**-236**	**-4,808**	**-**	**-1,745**	**-**	**-1,745**
Profit for the year				2,634		2,634		2,634
Other comprehensive income statement					-23,202	-23,202	1	-23,201
Total comprehensive profit for the year	**-**	**-**	**-**	**2,634**	**-23,202**	**-20,568**	**1**	**-20,567**
Equity at 30/06/2017	**42,375**	**120,045**	**-460**	**170,141**	**20,403**	**352,504**	**2**	**352,506**

Statement of cash flows

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

(in thousands of euros)	1st half 2017	1st half 2016
Consolidated net profit (including minority interests)	**2,635**	**11,040**
Net increase in depreciation, amortisation and provisions	6,290	2,832
Unrealised gains and losses relating to changes in fair value	22	-221
Share-based payment expense	542	180
Other calculated income and expense	-	-
Gains and losses on disposal	61	-2
Cash from operations after cost of net debt and tax	**9,551**	**13,829**
Net cost of financial debt	21	154
Income taxes (including deferred tax)	-2,529	494
Cash from operations before cost of net debt and tax (A)	**7,043**	**14,477**
Tax paid (B)	-1,529	-1,136
Changes in operating working capital requirements (including liabilities related to employee benefits) (C)	16,509	8,654
Net cash from operating activities (D) = (A+B+C)	**22,023**	**21,995**
Purchase of tangible and intangible fixed assets	-3,035	-3,426
Proceeds from sale of tangible and intangible fixed assets	192	0
Purchase of financial assets	-	-528
Proceeds from sale of financial assets	-	219
Impact of changes in the scope of consolidation	-56,816	-45,945
Variations of lending	-775	-680
Net cash from (used in) investing activities (E)	**-60,435**	**-50,360**
Proceeds on the exercise of stock options	2,814	115
Purchase and proceeds from disposal of treasury shares	-203	-
Dividends paid during the period	-8,462	0
Change in borrowings	19,004	24,753
Net interest paid (including finance leases)	-21	-154
Other cash flow relating to financing activities	-31	-164
Net cash from (used in) financing activities (F)	**13,100**	**24,550**
Effect of foreign exchange rate changes (G)	-1,055	-558
Net change in cash and cash equivalents (D + E + F + G)	**-26,366**	**-4,373**
Opening cash position	51,707	43,866
Closing cash position	25,341	39,493

Concerning the €19 million change in borrowings, this is related to:

- repayment of the credit line present on 31 December 2016 for €20 million related to the acquisition of Appcelerator;
- an additional drawdown of €40.5 million ($45 million) to finance the acquisition of Syncplicity;
- repayment of the borrowings contracted in 2016 for the amount of €1.5 million.

The available amount of the syndicated credit facility thus amounts to €84.5 million.

Notes to the condensed interim consolidated financial statements

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Contents of the notes to the consolidated financial statements

Note 1 Accounting Principles

These condensed interim consolidated financial statements for the six months ended 30 June 2017, together with the accompanying notes, were prepared under the responsibility of the Board of Directors and approved at its meeting of 26 July 2017.

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 2017 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 2016, 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 2016, with the exception of provisions specific to the preparation of interim financial statements:

- tax expense is calculated by applying the applicable tax rate based on the tax result determined to date to the end of 2017 to profit before tax for the period;
- retirement commitments for the period were estimated using actuarial studies carried out for the 2016 financial year, updated for the first half of 2017.

At 30 June 2017, there were no new standards, amendments to existing standards, or interpretations to be applied for the accounting periods beginning on or after 1 January 2017.

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 2017 or not mandatory in the European Union at 30 June 2017, namely:

- amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- IFRS 15 *Revenue from Contracts with Customers.*

  Axway did not opt for early application of this standard on revenue published as at 30 June 2017.

  This standard defines the revenue recognition model and will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

  Axway began a transition project during the first half of 2017. A list of standard and specific contractual clauses in current contracts was drawn up using the five-step accounting model recommended by IFRS 15.

  During this work, certain differences from the current standard were identified, but, given the current state of advancement, those differences are unlikely to have a significant impact.

  The project will be finalized during the second half for actual launch on 1 January 2018;
- amendments to IFRS 15 *Clarification to IFRS 15,*
- IFRS 9 *Financial Instruments,*
- amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses,*
- amendments to IAS 7 *Disclosure initiative,*
- amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions,*
- annual improvements, 2014-2016 cycle *Annual improvement process for standards 2014-2016 cycle,*
- amendments to IAS 40 *Transfer of investment property,*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration"*

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

Change in the scope of consolidation

a. Deconsolidated entities

The Group liquidated the following companies: Systar Ltd. in England, Appcelerator UK in England, Appcelerator Singapore in Singapore, and Axway Software Sdn Bhd in Malaysia. These companies were removed from the scope of consolidation during the first half of 2017.

b. Newly-consolidated entities

On 22 February 2017, Axway Software, through its subsidiary Axway Inc., acquired 100% of shares of Syncplicity LLC in the United States. Syncplicity LLC owns 100% of the shares in the subsidiary Syncplicity International Limited in Ireland.

Syncplicity Gmbh in Germany, owned by Syncplicity LLC, was liquidated prior to the acquisition on 22 February 2017; it was not retained in the scope of consolidation.

Notes to the consolidated income statement

Note 3 Revenue

3.1 Revenue by activity

(in millions of euros)	1st half 2017		1st half 2016	
Licenses	25.0	17.5%	37.4	25.9%
Cloud	17.2	12.0%	0.0	-
Maintenance	73.5	51.4%	70.2	48.5%
Services	27.1	19.0%	37.1	25.6%
Total revenue	**142.8**	**100.0%**	**144.7**	**100.0%**

3.2 International revenue

(in millions of euros)	1st half 2017		1st half 2016	
France	38.7	27.1%	43.9	30.3%
International	104.1	72.9%	100.9	69.7%
Total revenue	**142.8**	**100.0%**	**144.7**	**100.0%**

Note 4 Segment information

Geographical breakdown of revenue

(in millions of euros)	1st half 2017		1st half 2016	
France	38.7	27.1%	43.9	30.3%
Rest of Europe	33.7	23.5%	31.8	22.0%
Americas	62.7	43.9%	61.5	42.5%
Asia Pacific	7.8	5.5%	7.4	5.1%
Total revenue	**142.8**	**100.0%**	**144.7**	**100.0%**

Note 5 Employee costs

5.1 Breakdown of employee costs

(in thousands of euros)	1st half 2017	1st half 2016
Salaries	77,912	76,350
Social charges	19,934	20,442
Employee profit sharing	98	313
Total	**97,944**	**97,105**

5.2 Workforce

No. of employees at 30 June	1st half 2017	1st half 2016
France	576	642
International	1,365	1,315
Total	**1,941**	**1,957**

Average no. of employees	1st half 2017	1st half 2016
France	584	655
International	1,360	1,298
Total	**1,945**	**1,952**

As of 30 June 2017, Axway employed 1,941 people (576 in France and 1,365 in other countries), virtually stable compared with 31 December 2016.

Note 6 Other operating income and expenses

In the first half of 2017, the non-recurring expenses recognized under this item are mainly related to restructuring plans (€0.9 million) and expenses in respect of the acquisition of Syncplicity (€0.4 million).

Note 7 Financial income and expense

7.1 Net cost of financial debt

(in thousands of euros)	1st half 2017	1st half 2016
Income from cash management	95	34
Interest expense	-116	-188
Total	**-21**	**-154**

7.2 Other financial income and expenses

(in thousands of euros)	1st half 2017	1st half 2016
Foreign exchange gains and losses	**1,089**	**1,193**
Reversal of provisions	-	269
Other financial income	-	-
Total other financial income	**1,089**	**1,462**
Charges to provisions	-3	-
Discounting of retirement commitments	-55	-82
Discounting of employee profit sharing		-
Change in the value of derivatives	158	-37
Net carrying amount of financial assets sold	-28	-
Other financial expenses	-676	-397
Total other financial expense	**-604**	**-516**
Total other financial income & expense	**485**	**946**

Note 8 Tax expense

(in thousands of euros)	1st half 2017	1st half 2016
Current tax	-2,772	-1,504
Deferred tax	5,301	1,010
Total	**2,529**	**-494**

The outlook for profitability and growth of the parent company Axway Software SA have resulted in the recognition of €4.3 million in deferred tax assets over the first half of 2017, in consideration of the impact of the reduction in the corporate income tax rate.

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. Despite the activation of €0.7 million in deferred tax assets for the first half of 2017, the amount of deferred tax assets fell by €2 million, given the foreign exchange effect.

At 30 June 2017, unused deferred tax assets in relation to tax losses carried forward amounted to €26.9 million and mainly concerned the following subsidiaries: Axway Inc. (€20.2 million), Axway UK (€0.3 million), Axway Srl in Italy (€0.2 million), Axway Pte Ltd. in Singapore (€0.9 million) and others (€5.3 million).

Note 9 Earnings per share

(in euros)	1st half 2017	1st half 2016
Net profit – Group share	2,634,101	11,040,349
Weighted average no. ordinary shares in issue	21,124,046	20,793,375
Basic earnings per share	**0.12**	**0.53**

(in euros)	1st half 2017	1st half 2016
Net profit – Group share	2,634,101	11,040,349
Weighted average number of ordinary shares in issue	21,124,046	20,793,375
Weighted average number of securities retained in respect of dilutive items	168,417	201,849
Weighted average number of shares retained for the calculation of diluted net earnings per share	21,292,463	20,995,224
Fully diluted earnings per share	**0.12**	**0.53**

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 2016	**297,544**	**8,744**	**288,801**
Acquisition of Syncplicity	70,322		70,322
Translation differential	-19,390	-17	-19,373
30 June 2017	**348,477**	**8,727**	**339,750**

The goodwill recorded relates to the acquisition of Syncplicity.

(in thousands of euros)	
Acquisition price	56,964
Discounted value of earn-out	-
Acquisition cost	**56,964**
Negative net equity acquired	31,516
Difference	**88,480**
Assets and liabilities at fair value net of tax	18,158
Goodwill	**70,322**

In the second half of 2017, an independent expert will be appointed to assess the fair value of the acquired assets and liabilities. Intangible assets were valued initially at €19.0 million.

Under IFRS 3, this assessment will become definitive no later than 31 December 2017.

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

(in thousands of euros)	Carrying amount with the seller	Restatements	Fair value
Intangible assets	856	18,158	19,015
Property, plant and equipement	208	-	208
Financial assets	77	-	77
Differed tax assets	-	-	-
Current assets	3,322	-	3,322
Cash and cash equivalents	148	-	148
Financial liabilities	-	-	-
Provision for post-employment benefits	-	-	-
Current liabilities	-36,126	-	-36,126
Net assets acquired	**-31,516**	**18,158**	**-13,357**

Note 11 Trade receivables

(in thousands of euros)	30/06/2017	31/12/2016
Trade accounts receivable	42,874	58,094
Accrued income	6,964	12,645
Accrued credit notes		-
Provision for doubtful debtors	-1,147	-840
Total	**48,691**	**69,899**

Note 12 Shareholders' equity

12.1 Changes in the share capital

At 31 December 2016, the share capital stood at €42,042,078, comprising 21,021,039 fully paid-up shares with a nominal value of €2.00 each.

In the first half of 2017, 166,667 share subscription options were exercised, leading to the creation of 166,667 fully paid-up new shares at the price of €2.00 with issue premiums of €14.90 (110,417 options), €15.90 (10,250 options), and €21.86 (46,000 options), respectively.

At 30 June 2017, the share capital stood at €42,375,412, comprising €21,187,706 fully paid-up shares with a nominal value of €2.00 each.

12.2 Dividends

The General Shareholders' Meeting of Axway Software held on 6 June 2017 to approve the financial statements for 2016, decided to distribute a dividend of €0.40 per share, representing a total of €8,462 thousand.

This dividend was paid on 15 June 2017.

Note 13 Financial liabilities – Net debt

(in thousands of euros)	Current	Non- current	30/06/2017	31/12/2016
Bank loans	3,227	50,946	54,174	35,434
Employee profit sharing	950	2,542	3,492	3,686
Debt related to financial leasing	-	-	-	7
Current bank overdrafts	**1,751**		**1,751**	**9**
Financial debt	5,928	53,488	59,416	39,136
Cash and cash equivalents	-27,092	-	-27,092	-51,716
Net debt	**-21,164**	**53,488**	**32,324**	**-12,580**

The impact of Syncplicity's acquisition on net debt is negative €56.8 million, analyzed as follows:

(in thousands of euros)	30/06/2017
Acquisition cost	-56,964
Net debt/net cash of company acquired	148
Earn-out	
Impact of changes in the scope of consolidation	**-56,816**

Note 14 Deferred income

The apparent rise in deferred income compared with 31 December 2016 primarily relates to Syncplicity's cloud activities, for which invoices are issued in advance. The deferred income figure at 30 June 2017 is consistent with the growth achieved in this activity in the first half of 2017.

Note 15 Other current liabilities

(in thousands of euros)	30/06/2017	31/12/2016
Employees	16,570	18,906
Social security	7,333	7,902
Value added tax	5,681	6,653
Other tax liabilities	41	-35
Corporate income tax	2,076	809
Other liabilities	4,608	2,848
Restructuring provision	303	428
Dividend to pay	-	8,310
Total	**36,612**	**45,821**

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Other information

Note 16 Related-party transactions

The agreements concluded with the parties related to the Axway Group were identified in Note 3.3 "Related-party transactions" to Axway's 2016 Registration Document, filed with the *Autorité des marchés financiers* on 24 April 2017. 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 2017, other than those described in the 2016 Registration Document.

Note 17 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 2016.

At 30 June 2017, the Group complied with all covenants and commitments included in the revolving credit contract.

This syndicated facility is for the amount of €125 million. It has been extended and will mature in July 2021.

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 0.72 at 30 June 2017;
- EBITDA/financial expense ratio of above 5.0 throughout the term of loan. This ratio was 1908.2 at 30 June 2017;
- net debt/shareholders' equity ratio of lower than 1.0 throughout the term of the loan. This ratio was 0.08 at 30 June 2017.

At 30 June 2017, €40.5 million ($45 million) had been drawn down to finance the acquisition of Syncplicity, bringing the unused syndicated credit amount to €84.5 million.

The €20 million credit line present at 31 December 2016, used to finance the acquisition of Appcelerator, was repaid in April 2017.

Note 18 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 19 Events after the reporting period

Between 1 July 2017 and the date of the Board of Director's meeting, there were no significant events likely to impact the financial statements presented.

Statutory Auditor's report on the interim financial statements

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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 performed:

- a limited review of the accompanying condensed interim consolidated financial statements of Axway Software for the period from 1 January to 30 June 2017;
- 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, 28 July 2017

The Statutory Auditors

Auditeurs & Conseils Associés - Aca Nexia	**Mazars**
Sandrine Gimat	Bruno Pouget

Declaration by the person responsible for the interim financial report

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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, 28 July 2017

Jean-Marc Lazzari

Chief Executive Officer

Designed & published by LABRADOR +33 (0)1 53 06 30 80

Website: **www.investors.axway.com/en**

Mobile Web App **Axway IR**

imagination takes shape

France
Tour W
102 Terrasse Boieldieu
92800 Puteaux
P. +33 (0) 1.47.17.24.24
F. +33 (0) 1.47.17.22.23

USA
6811 E. Mayo Boulevard, Suite 400
Phœnix, Arizona 85054
P. +1.480.627.1800
F. +1.480.627.1801

www.axway.com