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Axway: good performance in 2011 meets expectations

Paris, 15 February 2012 - At its meeting on 14 February 2012 chaired by Pierre Pasquier, the Board of Directors of Axway Software approved the audited accounts for the financial year 2011. Although the economic context toughened during the second half of the year, the annual accounts reflected a solid overall performance, in line with the company's expectations.

- Revenue was €217.2 million, representing organic growth of +5.7%
- Operating profit on business activity was €35.3 million, representing a margin of 16.3%, up 140 percentage points
- Net profit was €21.5 million, representing a margin of 9.9% and basic earnings per share of €1.20.

	31/12/2011		31/12/2010	
	(in M€)	(% of Rev.)	(in M€)	(% of Rev.)
Key income statement items				
Revenue	217,2		208,4	
<i>Organic growth</i>	5,7%		11,8%	
Profit on operating activities	35,3	16,3%	31,1	14,9%
Profit from recurring operations	33,3	15,3%	29,1	14,0%
Other income and expense	-4,0		-3,6	
Net financial costs and currency impact	-2,7		-2,0	
Income Taxes	-5,2		3,0	
Net profit	21,5	9,9%	26,6	12,8%
	(in€)		(in€)	
Net earnings per share				
Basic net earnings per share	1,20		1,49 (1)	

(1) Calculation based on the weighted average ordinary shares as of 31 Dec 2011 for comparison between periods.

A number of significant events occurred in 2011 for the Axway group.

- Completion of the project to spin off Axway Software from the historic activities of Sopra Group, approved at the General Meeting of 8 June 2011, with Sopra Group SA retaining a 26.27% stake;
- Initial stock market listing on the NYSE Euronext Paris market of Axway shares on 14 June 2011 (AXW.PA);
- Prior to the spin-off and initial stock market listing, the structure of Axway's shareholders' equity was modified, including the distribution of a €21.8 million dividend to Sopra Group SA;
- In July 2011 Axway completed a capital increase of €61.9 million with preferential subscription rights for existing shareholders. This capital increase allowed the current account with Sopra Group to be completely reimbursed;
- Axway obtained a €100 million medium-term credit facility from a pool of six banks.

Comments on revenue

Revenue per activity

M€	2011 ²	2010 Published	2010 Pro forma	Total Growth	Organic Growth ¹
Licenses	77,8	77,9	76,8	-0,2%	1,2%
Maintenance	85,0	78,6	77,2	8,2%	10,1%
Services	54,4	51,9	51,4	4,9%	6,0%
	217,2	208,4	205,4	4,2%	5,7%

(1) at constant exchange rates and group structure

(2) first quarter revenue adjusted from previous public report to reflect the Axway stand-alone revenues which included 0.2 M€ of revenue previously eliminated in consolidation with Sopra Group

The general economic slowdown, particularly in Europe in the second half of the year, affected licences (35.8% of revenue) which grew by 1.2% on an organic basis compared to 2010 which had been exceptionally strong. Maintenance revenue (over 39% of revenue) grew by over 10% on an organic basis compared to 2010, with the performance of the second half year being even stronger. Services revenue – which is strongly correlated to licence revenue, thus explaining a slowdown in the 4th quarter of 2011 – grew by 6% on an organic basis compared to 2010.

Revenue per Region

M€	2011 ²	2010 Published	2010 Pro forma	Total Growth	Organic Growth ¹
Europe	135,0	131,9	133,0	2,4%	1,5%
America's	76,7	72,4	68,2	6,0%	12,6%
Asia/Pacific	5,5	4,1	4,3	32,6%	27,5%
	217,2	208,4	205,4	4,2%	5,7%

(1) at constant exchange rates and group structure

(2) first quarter revenue adjusted from previous public report to reflect the Axway stand-alone revenues which included 0.2 M€ of revenue previously eliminated in consolidation with Sopra Group.

Organic growth was particularly strong in the United States throughout 2011. The economic situation in Europe was more challenging, particularly in France and Germany in the second half of the year. However, postponed client projects remain active and are included in the commercial portfolio for early 2012.

In keeping with the first half of the year, Axway significantly improved its margins and particularly its operating profit on business activity, which was 16.3% in 2011. The gross margin (please refer to the appended income statement) improved from 67.2% in 2010 to 68.1% in 2011 thanks to an optimisation of Product margins. Operating expenses remain under control, with sales and marketing investments (growth drivers) remaining stable and R&D expenses stabilising (enhanced by foreign exchange effects). In relative terms, operating expenses therefore decreased very slightly compared to their level in 2010.

Non-recurring expenses related to the spin-off project from Sopra Group appear in other operating income and expenses as well as other acquisition related charges. The spin-off project expenses were recognised in the first half of 2011.

It should be noted that a significant tax expense increase occurred in 2011 as compared to 2010 due to the activation in 2010 of prior-period tax-loss carryforwards in the United States.

As already disclosed, the company is involved in a commercial dispute with an US Government agency (General Services Administration/GSA) in which it is accused of failing to honour agreed prices for the supply of licenses. As usual, discussions will start with GSA in order to find an agreeable solution.

Financial position

At 31 December 2011, Axway had a very robust financial position, with a positive net cash position of €23.8 million and equity amounting to €213.4 million.

The proceeds of the capital increase of €61.9 million, successfully completed in July 2011, were allocated to reimburse in full the debt outstanding to Sopra Group. Axway had therefore paid its debt in full on completion of these operations. No use was made of the bank credit facility (€100 million) in 2011.

Change in the workforce

At 31 December 2011, Axway's workforce comprised 1,755 employees, an increase of 94 from 31 December 2010, representing a positive growth both in France and internationally.

Cash dividend payment

At its upcoming General Meeting, the Board of Directors of Axway will propose the distribution of a €0.25 dividend per share for the financial year 2011, representing a total distribution of €5,037,660.25.

Strategy and outlook

The Group reaffirms its strategy of developing a leadership position in Business Interaction Networks by providing large companies and organisations with a software platform to manage electronic data exchanges within their ecosystems.

The growth drivers for this market are present throughout the world, namely: security requirements for all electronic exchanges, increased demand attributable to protocols and standards imposed by the implementation of regulatory reforms, infrastructure consolidation and innovation.

In order to attain its leadership objective, Axway is rolling out development strategies aimed at:

- Reinforcing its positioning as a "specialist" by concentrating exclusively on Business Interaction Networks;
- Developing its technology platform to remain the benchmark infrastructure over the long term and to enrich it with Cloud modules;
- Optimising growth levels in its core business (MFT, B2Bi);
- Intensifying the vertical-market approach (by economic sector) in order to reinforce the major client focus.

Despite the overall economic uncertainty which will continue to affect several of its large geographical markets and provided that the context does not deteriorate, Axway confirms its objective of achieving positive organic growth and very slightly increasing its operating margin for 2012 as a whole.

Financial calendar

Thursday, 16 February 2012 at 14.30, Hotel Meurice – Paris: Axway Results Analysts meeting.

Thursday, 3 May 2012 after the stock market close: Publication of first quarter revenue 2012.

Appendices:

Breakdown of 2011 revenue per half-year period

1st semester

M€	2011	2010 Published	2010 Pro forma	Total Growth	Organic Growth
Licenses	31,9	31,6	31,1	1,1%	2,7%
Maintenance	40,7	38,6	38,0	5,4%	7,2%
Services	27,4	25,1	24,9	9,1%	10,2%
Axway	100,0	95,3	93,9	4,9%	6,5%

2nd semester

M€	2011	2010 Published	2010 Pro forma	Total Growth	Organic Growth
Licenses	45,8	46,4	45,8	-1,1%	0,1%
Maintenance	44,3	40,0	39,3	11,0%	12,9%
Services	27,1	26,8	26,5	1,0%	2,0%
Axway	117,2	113,1	111,5	3,6%	5,1%

1st semester

M€	2011	2010 Published	2010 Pro forma	Total Growth	Organic Growth
Europe	63,4	61,5	62,7	3,1%	1,2%
America's	34,0	32,0	29,5	6,2%	15,7%
Asia/Pacific	2,6	1,7	1,8	46,8%	42,4%
Axway	100,0	95,3	93,9	4,9%	6,5%

2nd semester

M€	2011	2010 Published	2010 Proforma	Total Growth	Organic Growth
Europe	71,6	70,4	70,3	1,8%	1,8%
America's	42,7	40,4	38,7	5,8%	10,3%
Asia/Pacific	2,9	2,4	2,5	22,3%	16,8%
Axway	117,2	113,1	111,5	3,6%	5,1%

Consolidated income statement

M€	31/12/2011	31/12/2010	31/12/2009
Revenue :			
License	77,8	77,9	61,2
Maintenance	85,0	78,6	71,5
Total Product Revenue	162,8	156,5	132,7
Services	54,4	51,9	49,5
Total Revenue :	217,2	208,4	182,2
Costs of sales:			
Product Revenue	19,9	22,1	19,5
Services	49,3	46,4	44,8
Total Costs of sales :	69,2	68,4	64,3
Gross profit:	148,0	140,0	118,0
Operating expenses :			
Sales and marketing	61,5	57,9	51,7
Research and development	32,1	32,7	31,2
General and administrative	19,1	18,3	16,6
Total operating expenses :	112,7	108,9	99,5
Profit on operating activities	35,3	31,1	18,5
<i>as a % of Revenue</i>	16,3%	14,9%	10,2%
Stock option related expenses	- 0,1	-	-
Amortization of acquired intangible assets	- 1,9	- 1,9	- 1,9
Profit from recurring operations	33,3	29,1	16,6
<i>as a % of revenue</i>	15,3%	14,0%	9,1%
Other income and expenses	- 4,0	- 3,6	-
Operating profit	29,3	25,6	16,6
Income from cash equivalents			
Cost of gross financial debt	- 2,7	- 2,0	- 1,3
Cost of net financial debt	- 2,7	- 2,0	- 1,3
Other financial revenues and expenses			
Income taxes	- 5,2	- 3,0	- 5,4
Net Profit	21,5	26,6	10,0

Condensed balance sheet

ASSETS	31/12/2011	31/12/2010	31/12/2009
	(in M€)	(in M€)	(in M€)
Goodwill	169.6	165.7	154.3
Intangible assets	19.4	20.8	21.3
Property and equipment	4.9	3.5	1.5
Other non-current assets	15.3	18.6	9.2
Non-current assets	209.2	208.6	186.3
Trade accounts receivable (net)	57.1	65.8	53.3
Other current assets	14.4	11.7	9.9
Cash and cash equivalents	23.8	22.4	11.3
Current assets	95.3	99.8	74.5
TOTAL ASSETS	304.5	308.4	260.8
LIABILITIES AND EQUITY			
Capital	40.3	75.6	75.6
Capital reserves and results	173.1	72.5	34.7
Total equity	213.4	148.1	110.3
Financial debt - long-term portion	2.0	1.8	1.6
Other non-current liabilities	14.6	17.4	13.1
Non-current liabilities	16.6	19.2	14.7
Financial debt - short-term portion	0.5	0.4	0.2
Current account - Sopra Group	0.0	68.4	76.6
Other current liabilities	74.0	72.3	59.0
Current liabilities	74.5	141.1	135.8
TOTAL LIABILITIES	91.1	160.3	150.5
TOTAL LIABILITIES AND EQUITY	304.5	308.4	260.8

Disclaimer

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The forecasts in this document are contingent upon risks and uncertainties as to the society future growth and profitability. Readers are reminded that licence agreements, which often represent investments for our clients, are more significant in the second half of the year, and may therefore have a more or less favourable impact on full-year performance.

The outcome of events or actual results may differ from those described in this document as a result of various risks and uncertainties set out in the 2010 Prospectus submitted to the Autorité des Marchés Financiers on 29 April 2011.

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About Axway

Axway (NYSE Euronext: AXW.PA), the Business Interaction Networks company, is a software company with more than 11,000 customers in 100 countries. For more than a decade, Axway has provided leading organizations around the world with proven technology solutions that integrate, manage, secure and govern the business-critical interactions that accelerate enterprise performance. Our award-winning solutions span business-to-business integration, managed file transfer, business operations monitoring, process management, and email and identity security – offered on premise or in the Cloud with professional and managed services.

Axway is registered in France with headquarters in the United States and offices around the globe.

More information is available at <http://www.axway.com/>