

Presentation of

H1 2012 results

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Presentation

Christophe Fabre

Chief Executive Officer, Axway

Thank you for joining us today on this, the second of August, for the presentation of Axway's results for the first half of 2012. I will be assisted by Patrick Gouffran, Company Secretary, and Patrick Donovan, CFO, to answer your questions at the end.

Slide 2: Notice

First of all, the required notices...

Slide 3: Contents

I will start directly with the financial results, then move on to Axway's market and give a few examples of our achievements to illustrate Axway's potential in this difficult environment. I will conclude by presenting our longer term strategy and corporate plan.

I) Financial results and analysis

Slide 4: Revenues by region

Starting directly with the key figure for the first half, we are reporting organic growth of -4.5% for the first half of the year, with organic growth of +5.8% in the United States, in contrast with -10.1% in Europe. Clearly, the bad news is in Europe with negative organic growth of 16% in the second quarter, driven down mainly by France. In the UK and in Germany we are above 10%. The market in the United States demonstrates its potential with growth of 17%, after a slightly nervous start to the year. Asia Pacific has little impact on the figures. Growth in the US is significant in the breakdown by region for this first half.

Slide 5: Revenues

Note the growing importance of the United States in the regional breakdown of our activities.

Slide 6: Revenues by business activity (1/2)

Licences finish the first half down 25%, which is not a good result. Maintenance however has recorded a good performance, which shows this recurring activity to be highly stable. Services finished down -4.1%, with a dip in the second quarter, also caused by the situation in France.

Slide 7: Revenues by business activity (2/2)

The breakdown for the first half illustrates the importance of Maintenance, which is set to stabilise Axway's performance.

Slide 8: Income statement (1/2)

The increase in the cost of sales for Licences and Maintenance stems from work on Maintenance infrastructure. To generate this additional €6.5 million for Maintenance we had to invest in our systems. Turning to Services, the increase can be explained in the context of falling revenue. It is related to two main factors:

- Q2 plans that could not be implemented are still in hand, and resources are required to meet the slightly stronger demand we anticipate in the second half. We cut headcount in 2011 and therefore faced the need to recruit in preparation for growth.

- Turning to our Cloud segment - and I will be coming back to it - we continue to invest in infrastructure, which explains the higher costs on this line.

Gross profit is down by a few points.

Under operating expenses, sales and marketing expenses are higher, reflecting the finalisation of distribution channels and inside sales.

R&D costs are stable, enabling us to maintain our investment in products and the offer. I will come back to R&D.

General and administrative expenses are stable. Operating profit from operations stands at 5.6%, compared with 10.3% in 2011.

Slide 9: Income statement (2/2)

The second part of the income statement brings us to the net profit.

Expenses related to last year's stock options amount to €164,000, compared to zero in 2011.

Profit / (loss) from continuing operations is 4% taking amortisation of intangible assets into account also.

Other expenses are lower, since the costs associated with the spin-off in 2011 are no longer on the balance sheet.

Operational Result stands at €3.03 million.

We have no debt, and the fees generated by our credit line - unused - are €240,000. Other financial revenues and expenses are accounted for chiefly by exchange rate differentials.

The tax charge is positive at €41,000. For the first time, we are profitable in the American region in the first half, and we expect to be profitable for the year as a whole. Therefore, we activated \$1 million in tax credit to improve this figure.

Net profit is resilient at €2.6 million, or 2.6% of revenue, compared with 2.9% the previous year.

Slide 10: Simplified balance sheet (1/2)

Looking at assets, changes in goodwill and allocated intangible assets are due solely to foreign exchange fluctuations.

Cash has improved substantially, primarily because there were no non-recurring events. I will return to cash and cash equivalents when I comment on the cash flow statement. Total assets amount to €325.5 million at the end of the first six months.

Slide 11: Simplified balance sheet (2/2)

The main liabilities line likely to raise questions is other current liabilities, which shows an increase of €16 million. This stems from increased Maintenance business compared with last year. Total liabilities and shareholders' equity are €325.5 million.

Slide 12: Equity

Although equity is affected by dividend payments amounting to €5 million, the total equity at the end of the period is close to the total at the start.

Slide 13: Cash flow

The improved working capital requirement is largely attributable to the increase in Maintenance business. There is a marked difference in the closing cash position versus the first half of 2011, primarily due to the non-recurring costs associated with the spin-off in 2011, which are not repeated in 2012, as well as a change in the current account in the amount of €8 million, and the distribution of an exceptional dividend totalling €22 million. This year, the dividend is the usual dividend and amounts to €5 million. The difference is

also explained by a change of €6 million in the tax net of provisions, whereas last year we activated an exceptional tax loss.

These items explain the closing cash position. This year, 55% of cash is collected in the first half and 45% in the second, although the costs are spread over the year. Therefore, we can expect cash to be either flat or slightly negative in the second half of the year.

Slide 14: Financial structure

Banking covenants are excellent, since Axway has no debt.

Slide 15: Change in workforce

Our headcount has increased slightly. We are working on our headcount to be ready to generate growth.

Slide 16: Operational summary by geographical area in the first half

The downturn in France in the second quarter was followed by a third consecutive quarter in which investment decisions were frozen, especially in finance and the public sector, which are our major segments. We have a strong presence in France and are therefore very sensitive to macroeconomic developments. This is slightly less so in terms of relative size in the United States and Northern Europe. Note that we had no new generic licence signatures or renewals in the pipeline for H1. Services slowed sharply in the second quarter, although we saw an improvement in the second half.

Outside France, the position is positive in Germany and the UK, where we have boosted our management structure. Our European staff has two main priorities: to grow the business in Northern Europe and to attempt to improve our position in the South. This strengthening is expected to be productive. The situation in Spain and Italy is very difficult, but compared with the size of France, these countries do not have the same impact on our figures.

Our commercial portfolio in the United States is good, in terms of both quality - with investment projects - and quantity. Q2 saw strong growth after a Q1 penalised by an unfavourable basis of comparison with the previous year.

Slide 17: Operational summary by type of activity in the first half

We have no competitiveness problem in the Licences segment. We lost very little if any business. We fought for each and every contract, and all deals signed were to our advantage. The competitive environment is certainly tougher, with everyone looking for business. Decision cycles have lengthened with some projects cancelled. The main observations for France are the longer decision cycles and a scarcity of new business.

The two main ratios in Maintenance, invoicing rates relative to licences and the cancellation rate, are performing well. Looking at support, our clients are purchasing additional, higher quality services, viewed as mission critical for large companies, which increases the ratio of maintenance contracts to licences sold. The cancellation rate is under control with very few contracts cancelled. This is a solid result that will only be slightly impacted by the decline in Licences.

The deterioration in Services stems from the reduction in new licences. More recurring business has grown in importance. We have recruited staff for mainly long-term, recurring projects, for which maintenance is covered in contracts extending over several years. Since some of these contracts were not signed in Q2, we expect signature in the second half. We have made well thought-out, long-term investments in cloud computing. Here again, however, decision cycles are a little longer.

Slide 18: Summary of key points

Business is down in France and, if we are to believe the macroeconomic forecasts, the environment will certainly get tougher. However, an upturn in pre-sales for rationalisation

projects is evident. With a hardening of the macroeconomic outlook, clients are planning to rationalise their investments and achieve savings. To do that they must invest, which is evident from our pipeline and this gives us a certain amount of optimism for the end of the year.

Activity in America and Northern Europe is encouraging. We are recording good growth levels with activity continuing into the second half.

Differentiation is part of our core strategy. During difficult periods, delivering real added value is the key to differentiation. With good operating fundamentals and a sound cash position, we are maintaining our financial ratios and profitability. We are also seeing strong momentum in Maintenance, which gives us further visibility.

Slide 19: 2012 Outlook

The second half of the year is the most important for Axway. Last year, revenues totalled €100 million in H1 and €117 million in H2, with a Q4 which fell short of expectations.

We are maintaining our guidance that we will see slightly positive growth and a modest improvement in margins, taking into account the situation in North America and Northern Europe, and banking on an improvement in the French market in H2. We do not expect to see positive growth for the year as a whole in France, since the gap is too large, but we should be able to do better than in H1 by reducing the negative growth.

Lastly, we are focusing our attention on differentiating our offer. M&A activity has intensified and it is interesting to add this type of growth opportunity to the portfolio.

II) Axway's market and achievements in the first half

Slide 21: Weakening market in France

A study conducted by Syntec IDC confirms a hardening of the environment in the second quarter in France, with fewer calls for tenders, even though companies remain confident for the long term. This trend could persist for several quarters.

Slide 22: Our market has growth potential

A long-term worldwide study by Gartner shows that the middleware application infrastructure market in which Axway operates represented \$19.5 billion in 2011 and is set to rise to \$28 billion in 2016. We are certainly operating in a growth market.

Slide 23: Client projects

What are our clients doing in this environment? They are connecting their in-house applications with their external partners. But connecting is not enough. Businesses must manage a community of partners, be able to define their metrics, steer the business, coordinate flows, and ensure they are secure, while providing visibility and governance.

Slide 24: Client projects - Examples

Some of our client projects provide the perfect illustration.

Dealing with an immense network of partners and distributors, BMW decided to enhance the security of its exchange protocols with the Axway platform, for both inter-application and individual connections. BMW consolidated this entire infrastructure using Axway technology.

Barclays is implementing a new EBICS protocol to facilitate payment management. With Axway's solution, Barclays EBICS connectivity was implemented in less than five months, beating practically all its competitors.

SFR is a long-standing Axway client. It produces 300 new application releases every month with an information system that has thousands of applications. The challenge is to

ensure the smooth operation of the entire information system, enabling data flows between applications at the right time and with good quality data. Thanks to Axway, SFR can continuously manage flows between applications to check that its systems are operating correctly and that the quality of the service to customers is consistent.

The last example is Experian, the US credit score company. Every American citizen has a credit score giving them access to preferential interest rates. Experian handles the data for the credit ratings of 215 million US citizens, and therefore stores personal and confidential information, as well as for 15 million companies. Social security numbers are a key component of credit score data, which makes Experian a prime target for hackers trying to access these IDs. To ensure the security of this data, about 65 terabytes, and all data flows to users, Experian consolidated its exchanges on Axway's system. Security is a key business driver for Axway.

Slide 25: New deals - Europe

A few examples of contracts signed this half year.

Stet, which intends to become a major bank clearing operator in Europe, consolidated and modernised its exchange platform on Axway.

Gemalto, the major card manufacturer, also consolidated its data exchanges on Axway. This is a win back from our historic competitor, Sterling, which held the contract for 10 years.

HSBC uses the new version of our accounting integrator, *Règles du jeu* (Rules of the game), and Vodafone is another telecom company to normalise its infrastructure using Axway solutions.

Slide 26: New deals - United States

In the United States, Regions Bank entrusted us with its infrastructure exchange project. This is another win back from Sterling.

Bank of the West came to Axway for a new payment management platform.

ADT and Daimler are both supply chain deals for Axway.

Slide 27: New deals - Asia-Pacific

In south-east Asia, we signed a single window project deal for an electronic portal to facilitate import-export procedures. This is the type of vertical solution in which Axway specialises.

The Indonesian central statistics office (equivalent to the French INSEE) selected us to safeguard the security of their data exchanges.

Slide 28: Some Cloud references

Here are a few examples of key accounts that chose Axway for their Cloud needs. The Cloud is an emerging market set to generate revenues in the long term. It is developing every month in three forms:

- Hosting, with Axway operating the platform and the client retaining ownership of usage licences;
- Private Cloud, where the client rents and does not own the infrastructure, but is the sole user;
- Public Cloud, when several users share the same technological infrastructure.

All three modes are developing and in time will account for a significant share of Axway's revenues.

III) Strategy and projects

Slide 30: Axway's strategy

Over the past few months we have put a lot of work into M&A and efforts to streamline our offering. In doing so we have been able to clarify the purpose of Axway for our customers. We help them to govern all data flows within their ecosystem. Customers must know where their data is, if their partner has processed the data, if it has actually received the data, if the data is reliable and if it is protected. We are reducing the cost of data exchange, synchronising production chains, developing and securing commerce and providing visibility. We want to be a specialist in the middleware segment and be a world leader in our market.

Slide 31: Govern data flows

Governing is about more than just managing, it's also about meeting all technical and industry standards for exchanging data flows and integrating these data flows in applications, which requires transformation. You have to process data flows, whether they are internal to the company, directed outside of the company or hybrid, manage the scalability of the community of partners and users, manage access rights, and facilitate fast connections to support business. Axway also offers security to avoid piracy, and provides real-time management (alert and correction of problems), data archiving and reporting. The ultimate level of maturity is the ability to analyse data flows in order to find trends in them.

This demand is vertical. No one has a project called "govern my data flows", but everyone has projects which involve governing data flows: in the financial sector, the separation of retail and financing activities, the SEPA project; in the American health system, moving towards paperless documents, an important element for Axway; the efficiency of the supply chain; traceability; Cloud convergence; piracy and information security, which is a significant driver for us.

Slide 32: Emergence of Big Flow

We are now driven by the convergence of flows. Ten years ago there were several applications for managing various flow types, but customers today want a single platform for managing all of them. All the projects I have mentioned are convergence projects.

I have given some examples for security.

New drivers also exist: you have all heard about Big Data. We are not a pure Big Data operator, as we are not involved in analytics. But as the volume of data in companies soars, so the data moves around and needs to be made secure. If there is more data, there are more flows, which only increases the problem of flow management.

In addition to traditional activity, new flow types are appearing, such as flows linked to the Cloud. The applications making up the Cloud live and the data lives and returns to within the information system, which creates flows that need to be managed and made secure when they are directed externally. The Cloud is a source of flows.

Mobile computing is also creating new flow types and imposing new standards.

All of these drivers make up the Big Flow, which completes Big Data. Overall, more and more data is circulating, flows are increasingly varied and they are increasingly important for business: you need to be able to process them. That is Axway's project.

You may be wondering about the competition and our ability to target this market. The major players are a bit too big for this market and do not offer sufficiently integrated solutions: customers prefer the most user-friendly solutions. Other specialists such as Tibco or Informatica could position themselves on this market but are seen as too high-end or too expensive. For the major accounts we are targeting, open-source software does not deliver the support required for critical applications, the banks cannot employ open-source software.

That is why Axway has chosen to specialise in this market over the coming years.

Slide 33: The long view: summary

Ours is a long-term project, and our offering is now competitive, differentiated and indispensable, in the same way that equipping yourself to govern your flows is indispensable. All businesses have realised this. The offering is competitive today, but we need to know how to make good use of growth opportunities, particularly at the Cloud level, where we can do much better.

We see this development as being both organic and through consolidation. We are first trying to strengthen our offering to cover new emerging segments and new protocols, then we will aggregate with a strong offering to bring this added value to other areas.

M&A activity has intensified strongly in H1 but this is not the time to discuss it. We are doing a great deal of work on this subject.

The target of 500 million dollars with a margin of 20 to 25% is still in place. We have had difficulties relating to the economic context, as you know. But we are taking the long view. That is why we are continuing to make investments and are working on our offering.

IV) Q&A

Slide 34: Q&A

Christophe Fabre

Do you have any questions?

Michael Beucher, Cheuvreux

Have you drawn up a worst-case scenario for the year-end if the situation does not develop as well as you expect, or can you define some kind of lower end range for FY 2012?

Christophe Fabre

Obviously, this is something we have done. We have maintained our view on the assumption that the situation in France improves, because in Q4 we have a pipeline. We are being cautious, we have drawn up a worst-case scenario, as well as a best-case scenario for other regions. We have taken this into account in maintaining the outlook. We don't have a large safety margin, but we do have one.

Michael Beucher, Cheuvreux

Asia represents a very low share of activity for you but it's an economic growth area with very high demand. Do you have any projects in this region?

Christophe Fabre

No. We have had a presence in the region since 2002. I made regular visits there to meet with customers over a four-year period. It's a market for major players. We are primarily there to assist our major customers who operate in the USA, Europe and Asia. At the beginning we operated directly, but now we operate 50% indirectly. The figures seem low, but actual possible business in Asia is much higher because many of our American or European projects are possible because we have a presence in Asia. It's a supporting presence; we have no plans for frenetic development.

Derric Marcon, Société Générale

I don't understand your worst-case scenario. What does the Plan B consist of for you in terms of cost reductions in H2 compared to your cost base in H1, bearing in mind that you already put a freeze on recruitment in the first half?

My second question relates to utilization of tax assets. You released 1 million dollars in H1. How much do you plan to release for the year?

Third question: can you give us an idea of how much of a buffer the sales representatives' variable compensation represented in H1 and how it is expected to evolve in H2? Is it a new buffer or was it already used in H1?

Finally, my last question concerns the Maintenance growth rate, which has been double-digit for the past three quarters. What do you expect for H2? Can this trend continue despite the underachievement of Licences?

Christophe Fabre

I won't give any figures for the worst-case scenario. For Maintenance, the trend of 11% and above cannot continue for the whole year, but it will nevertheless be a very positive year, with double-digit growth, independent of the Licence activity for the current year. Maintenance is affected by licences during the year, pro rata to their signature date. And we sign many licences in Q3 and Q4. So the effect on the year is reduced.

The increased level of service linked to licences is quite well recognised. The growth in Maintenance is very secure. As for Licences, we face a considerable challenge in Q4. The fourth quarter of last year was not very satisfactory, so we will benefit from a good basis for comparison this year.

With regard to the cost savings plan, it's true that we have maintained our investments but, at the same time, we have reduced investment levels compared to what we originally had in mind. In terms of Axway's annual goals, our aim was not to see performance down by 4% in the first half. There's been a problem somewhere, but we intend to do better in the second half.

We will benefit from the capitalisation of tax credits at the end of the year, since we should make a profit. Our stock of tax credits is fairly large. With the margin at 5.6% in the first half, I realise that it might be hard to understand how we can aim for a margin of 16% at the end of the year. You must not forget that the costs will be constant in H2 and that this half brings 20 to 25% of additional revenue at constant cost, which makes it possible to improve the margin. The margin is still being built in the second half. The situation for Maintenance is different, since it is invoiced at the start of the year and the cash arrives at that point. The margin does not increase significantly in the second half.

Derric Marcon

What is your estimate of tax-credit capitalisation in the second half?

Christophe Fabre

You can rely on the margin level that we announce. The difference compared to last year is to do with the US, where we hold considerable tax credits. We will make a profit in the US this year, but I'm not in a position to give you a figure.

Patrick Donovan

[Answer in English no translated in the French version]

Christophe Fabre

We think that the guidance of a margin of 16% seems perfectly achievable, subject to the situation in France picking up, which we think it will. We're not talking about a

resumption of global investments, but about French customers showing a desire to streamline their infrastructure because they anticipate difficulties with business.

Bruno Hertz, Equigest

To come back to France, do the tangible elements of your central scenario underlie the possible improvement in the situation in H2, or is it a hypothesis which enables you to comply with the guidance? Are there any tangible signs of improvement?

Christophe Fabre

One of the first signs we have seen is the fact that we are starting to have problems staffing Services projects when they start. In the pipeline, a few projects which have been pushed back two or three quarters should be signed in the coming half-year. So our forecast is linked to an analysis of the pipeline as well as daily observations. Nevertheless, we remain cautious. Our scenarios for H2 do not assume zero growth but very negative growth, even if there is an improvement compared to H1. It is true that we anticipate a better situation in the US and Europe, encouraged by the return to double-digit growth observed in the US.

From the room

Could you specify the amount of investment linked to the Cloud in the first and second halves?

Christophe Fabre

Patrick will correct me if I'm wrong, but I think that the annual expense for the Cloud is around €5 million in personnel costs, to which are added structural costs. It's on the increase. When we register a new customer for the Cloud, we have to invest in infrastructure, the 24/7 Cloud support system, etc. That's the phase we're at. We invest as and when customers sign.

From the room

From an infotech viewpoint, what might persuade your customers to install a Cloud solution rather than a classic solution? Also, have you marketed your products in leasing mode or using a traditional licence and maintenance model?

Christophe Fabre

We have not observed any cannibalisation of the on-premise business by the Cloud. On-premise customers do not migrate towards the Cloud. On the contrary, we have seen the emergence of customers who need less critical exchange platforms, who don't have any particular security problems, for whom the supply chain is not strategic, and whose needs are satisfied by Cloud mode. These are the same as our on-premise offerings, but with fewer strategic constraints or criticality. We sometimes do leasing for on-premise, following the traditional model, but the Cloud is leasing only.

From the room

I'm a bit lost. Do you mean that the growth in sales of licences in H1 is reduced by the lease contracts that you transferred to Maintenance?

Christophe Fabre

Cloud revenue now appears in Services and not in Licences.

From the room

Does the lease of the licence appear in the Services revenue?

Christophe Fabre

There is no licence in the Cloud which corresponds to leasing and a usage service, accounted for in Services. The Licence is a perpetual licence to use a product we possess. In this case, there is no leasing. Sometimes on-premise licences are fixed-term and provide for a three-year licence, but they are always accounted for as licences, not services.

The Cloud is like an internet connection or electricity supply: each month, the customer pays for what they have used. This type of fee has been transferred to Services because it is not yet material. With a licence, the customer acquires the product. The Cloud presupposes the use of distance software, hosted by us; with a licence, the customer has the software on its own platforms.

From the room

Inaudible question, off-mic

Christophe Fabre

The Cloud represents €5 to 10 million of revenue today.

From the room

Could you remind us of the breakdown by sector of your underlying customers in France and give details of the reasons for companies deferring investment projects.

Christophe Fabre

The leading sector is finance, which represents more than 40% of our business in France. You know all the reasons which lead to companies in this sector postponing their projects. The public sector is another of the major French verticals. Once again, the causes for deferral of projects are known. We also have supply chain customers, the corporate customers, whose investments are impacted by the fall in demand in the second quarter.

Final question?

From the room

Could the elections in France have resulted in a bit of a wait-and-see attitude in the public sector in Q2? Another publisher mentioned it on another market yesterday.

Christophe Fabre

It may have had an impact, like any other macro-phenomenon. We don't have a dominant market share outside of France and are less sensitive to the macro economy. In France, with Axway being the major player in middleware and flows, as soon as companies suffer from a mass movement, we are affected. I know that the eurozone debt and the political situation could have had an effect, but I'm not going to hide behind these kinds of phenomena.

From the room

How much revenue was generated from SEPA projects and what do they represent in your pipeline?

Christophe Fabre

I'm not going to give a figure but SEPA projects and payment represent a very large part of new implementations in Europe because they are flows, which must be secured and which involve banks' business.

Thank you for listening.

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