This document is a free translation into English of the original French Prospectus. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

AXWAY Software
Société anonyme
With share capital of €76,572,436.75
Registered office: PAE Les Glaisins
3 rue du Pré Faucon
F-74940 Annecy-le-Vieux
433 977 980 RCS Annecy

PROSPECTUS RELATING TO THE ADMISSION OF AXWAY SOFTWARE SHARES ON THE REGULATED MARKET OF NYSE EURONEXT PARIS IN CONNECTION WITH THE DISTRIBUTION OF AXWAY SOFTWARE SHARES TO SOPRA GROUP S.A. SHAREHOLDERS

APPROVAL VISA FROM THE AUTORITÉ DES MARCHÉS FINANCIERS

The Autorité des Marchés Financiers (AMF), in application of Articles L. 412-1 and L. 621-8 of the Code Monétaire et Financier and in particular its Articles 211-1 to 216-1 of its own General Regulations, has affixed visa no. 11-1137, dated 29 April 2011 on this Prospectus.

This Prospectus was prepared by Axway Software and Sopra Group S.A. and its signatories bear responsibility for its contents pursuant to Section 1.2 of this Prospectus. Pursuant to the provisions of Article L. 621-8-1-I of the Code Monétaire et Financier, in order to issue its approval, the AMF was first required to verify that the document is complete and comprehensible and that the information presented is internally consistent. The approval does not imply that the AMF endorses the proposed transaction or that it has validated the accounting and financial information contained herein.

Copies of this Prospectus may be obtained free of charge at the registered office of Axway (PAE Les Glaisins, 3 rue du Pré Faucon, F-74940 Annecy-le-Vieux) or at the registered office of Sopra Group S.A. (9 bis, rue de Presbourg, F-75116 Paris) and are also available for download on the websites of Axway (www.axway.com), Sopra Group S.A. (www.sopragroup.com) and the Autorité des Marchés Financiers (in French) (www.amf-france.org).

DISCLAIMER

Preliminary note

For the purposes of this Prospectus:

- the term “***Axway***” or “***Company***” refers to the entity Axway Software in the form that it will have following the transactions described in Section 26.1.1 of this Prospectus;
- the term “***Group***” collectively refers to the Company and its subsidiaries in the form that this grouping will have following the transactions described in Section 26.1.1 of this Prospectus;
- the term “***Sopra Group S.A.***” refers to Sopra Group, a company whose shares are admitted for trading on the regulated market of NYSE Euronext in Paris;
- the term “***Groupe Sopra***” collectively refers to Sopra Group S.A. and its subsidiaries (excluding the Group when permitted by the context) in the form that this grouping will have following the transactions described in Section 26.1.1 of this Prospectus.

Approval by the General Meeting of Sopra Group S.A. shareholders

Investors should bear in mind that the execution of the transactions described in Section 26.1.1 of this Prospectus is subject to approval by an Ordinary General Meeting of Sopra Group S.A. shareholders, which will require a simple majority vote by shareholders present in person or represented by proxy at the meeting. It is conceivable that this legal majority might not be obtained at Sopra Group S.A.’s Ordinary General Meeting and that, as a result, the transactions described in Section 26.1 of this Prospectus might not be able to be executed. Should such a circumstance arise, the Company’s shares would not be admitted to trading on the regulated market of NYSE Euronext in Paris.

Forward-looking information

This Prospectus contains forward-looking statements concerning the Group’s prospects and development plans. Forward-looking statements often involve the use of future or conditional verbs such as “will”, “would”, “should”, “could” or “may”, or words such as “consider”, “plan”, “believe”, “aim”, “expect”, “intend”, “anticipate”, “project”, “predict”, “estimate”, “think” and “wish” or, where applicable, the use of these words with the negative, or of any other variant or similar terminology. Forward-looking statements are not historical facts and must not be construed as guarantees that the announced events or results will actually occur. These statements are based on data, assumptions and estimates deemed to be reasonable by the Group, which are subject to change due to uncertainties related in particular to the Group’s economic, financial, competitive or regulatory environment. These statements are included in various sections of this Prospectus and contain information relating to the Group’s intentions, estimates and objectives, particularly with respect to the market in which it operates, its strategy, its growth, its results, its financial position, its cash position and its forecasts. Forward-looking statements are valid only at the date of this Prospectus. The Group operates in a competitive, constantly-changing business environment. The Group cannot therefore anticipate all of the risks, uncertainties and other factors likely to affect its business activities, nor is it always able to measure their potential impact on its business or assess to what extent the occurrence of a given risk or combination of risks might cause actual results to differ materially from those described in any forward-looking statements which, as indicated above, do not constitute guarantees of future performance.

Market information

This Prospectus contains statements pertaining to the Group's markets and its competitive position in these markets, including information relating to market size. Market share information contained in this Prospectus is considered by Axway to be based on reliable and representative estimates of the size of these markets. Axway believes that this information faithfully reflects its competitive position in these markets. However, the internal studies, estimates, research conducted on markets and publicly available information considered as reliable by Axway have not been verified by an independent expert and for this reason Axway is not able to guarantee that a third party using other methods to collect, analyse or calculate market data would obtain equivalent results. Moreover, Axway's competitors may define the Group's markets using different criteria.

Risk factors

Investors are encouraged to carefully review the risk factors described in Chapter 4 "Risk factors" of this Prospectus prior to making any investment decision. Any of these risk factors could have an adverse impact on the Group, its business activities, results, financial position or prospects. In addition, other risk factors, as yet unidentified or presently considered as insignificant by the Group, could have an adverse impact on its business activities, the results of its operations, its financial position or its prospects.

This Prospectus has been prepared solely in connection with the application for admission to trading of Axway Software shares on the regulated market of NYSE Euronext in Paris and does not constitute (i) either an offer to sell or subscribe to the shares described in this Prospectus, or (ii) a solicitation in order to obtain consent or a favourable vote with a view to the approval of the transactions described in this Prospectus. A glossary of technical terms used in this Prospectus is included at the end of this document.

TABLE OF CONTENTS

Notice to the reader

The following summary (the "Summary") is intended to be read as an introduction to the Prospectus. Any decision to invest in the financial securities for which the admission to trading on the regulated market of NYSE Euronext in Paris has been requested must be based upon a thorough review of the Prospectus in its entirety. Should any action be brought against the Company in a court of law with regard to the information contained in the Prospectus, the plaintiff investor may, depending on the national legislation adopted by individual Member States of the European Community or parties to the agreement on the European Economic Area, be required to bear the costs associated with the translation of the Prospectus before the initiation of legal proceedings. Civil liability attaches to the persons who have tabled the Summary, including any translation thereof, and who have requested its notification as understood in Article 212-41 of the general regulations of the AMF, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

This Prospectus has been prepared solely in connection with the application for admission to trading of Axway Software shares on the regulated market of NYSE Euronext in Paris and does not constitute (i) either an offer to sell or subscribe to the shares described in the Prospectus, or (ii) a solicitation in order to obtain consent or a favourable vote with a view to the approval of the transactions described in the Prospectus.

SUMMARY OF THE PROSPECTUS

AMF visa no. 11-137 dated 29 April 2011

A. Information about the issuer

Company name, industry sector and nationality

Axway Software is a *Société Anonyme* with a Board of Directors governed by French law.

Business overview

With revenue of €208 million in 2010, more than 1,600 employees, a prominent presence in France, a solid footing in the United States and in Europe, Axway's main business is in the development of software solutions designed to help companies and organisations implement powerful business interaction networks.

Axway's offering consists of infrastructure software products, together with a range of professional services related to these products. The software products are based on a software platform called Synchrony™, which offers all the functions required to build and run business interaction networks: file transfer, B2B connectivity, application integration and data exchange security.

Axway's market is at the intersection of several pre-existing markets for products and services: managed file transfer (MFT), B2B connectivity, application integration and secure gateways, which are all sub-segments of the middleware market. Axway estimates the software market at around $4–6 billion in licence and maintenance agreements and foresees average annual growth in excess of 5% (Source: Axway). Axway is a recognised market participant in certain of these segments (MFT, B2B), as confirmed in reports published on a regular basis by the main analysts in the field.

Axway's business model relies on the key components of licence royalties (granting of the right to use software), annual maintenance revenue and service revenue.

Axway's principal clients are large companies and organisations in all industry sectors, with a particular focus on the following segments: financial services, supply chain and logistics, healthcare and social welfare, and the public sector. Axway's current client base includes more than 11,000 companies and organisations.

Selected financial information (under IFRS)

The financial information presented below is drawn from the combined financial statements of Axway for the years ended 31 December 2008, 2009 and 2010. The combined financial statements bring together all information relating to the Axway sub-consolidation group, prepared in accordance with IFRS using the principles of consolidation accounting applied for Sopra Group S.A.

CONDENSED BALANCE SHEET

(Source: Combined consolidated financial statements, see Section 20.1.1 of the Prospectus)

(in thousands of euros)	31 December 2010	31 December 2009	31 December 2008
Non-current assets	208,587	186,319	185,165
Current assets	99,820	74,468	71,534
TOTAL ASSETS	308,407	260,787	256,699
Equity – Group share	148,095	110,309	102,986
Minority interests	2	2	3
Non-current liabilities	87,658	91,278	86,648
Current liabilities	72,652	59,198	67,062
TOTAL EQUITY AND LIABILITIES	308,407	260,787	256,699

CONDENSED INCOME STATEMENT

(Source: Combined consolidated financial statements, see Section 20.1.2a of the Prospectus)

(in thousands of euros)	2010	Restated 2010 (CVAE)	2009	2008
Revenue	208,421	208,421	182,218	171,187
Operating profit on business activity	31,085	30,040	18,489	20,201
Profit from recurring operations	29,141	28,096	16,633	19,479
Operating profit	25,558	24,513	16,633	18,311
Net profit – Group share	26,595	26,595	9,980	7,864

CVAE: Cotisation sur la Valeur Ajoutée des Entreprises

EQUITY AND DEBT

Consistent with the recommendations of the Committee of European Securities Regulators issued in February 2005 (CESR/05-054b, paragraph 127), the following table sets forth the Group's debt and equity position as of 31 March 2011 under IFRS.

(in thousands of euros)	31 March 2011
1 Shareholders' equity and Debt	
Total long-term financial liabilities	44,377
Shareholders' equity excluding profit or loss for the period	144,114
Capital and reserves	144,112
Minority interests	2
Total equity	144,114
2 Analysis of net financial debt	
Total Cash, Cash equivalents and Financial assets	17,363
Total short-term financial liabilities	425
Net short-term financial liabilities	-16,938
Total long-term financial liabilities	44,377
Net financial debt excluding the impact of derivatives	27,439
Impact of derivatives on debt	-
Net financial debt	27,439

Summary of the main risk factors affecting the Group and its business

Sopra Group S.A. shareholders and investors are advised to consider the risk factors identified below as well as the risk factors described in more detail in Chapter 4 "Risk factors" of this Prospectus.

- By nature, the infrastructure software sector in which the Group operates is extremely sensitive to worldwide economic upturns and downturns;
- The Group is exposed to risks specific to the software development business and in particular the potential violation of intellectual property rights held by third parties, errors or technical deficiencies in software packages, the security of software packages, the use of free software (given the fact that the development of software platforms increasingly involves external components), innovation (an essential driver of value creation providing a competitive advantage in the infrastructure software market), infrastructure software market consolidation and dependence on key personnel;
- The target market for the Group's software packages and services is characterised by fierce competition as well as the rapid pace of developments in technology and offerings;
- The Group is exposed to the seasonality of licence agreement signings, and therefore to the uncertainty of its business results;
- The Group's growth strategy might depend in particular on the success of any acquisitions it might pursue;
- A significant change in the mix of the Group's revenue streams might cause its future business results to differ materially from recent business results;
- The Group's assets are primarily subject to uncertainties relating to the protection of intellectual property rights and changes in the value of intangible assets, which mainly consist of goodwill. The Group is also exposed to market risks, especially interest rate risk and currency risk;
- The Group is exposed to the following legal risks: disputes (currently the Company is involved in a dispute with the General Services Administration (GSA) in the United States), the early termination of partnership agreements, the non-renewal of maintenance agreements and default by one or more of its suppliers;
- Although the Group has gradually put in place the necessary structures to ensure that it will be able to operate independently from Sopra Group S.A. (in particular, a firm commitment from a group of lending institutions for a €100 million line of credit, together with a pledge relating to the Group's business goodwill, including in particular its client base, leasehold, equipment, goods and tools, its trade name, trademark or service mark and company name, see Section 4.3 of the Prospectus), the Group will maintain, during a transitional period, a certain level of operational dependency with respect to Sopra Group. Furthermore, once the Company's shares have been

admitted to trading on the regulated market of NYSE Euronext in Paris, Sopra Group S.A. will retain an influence over the Group and will have the option to make major decisions concerning its development;

- The admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris exposes the Group to the following risks: the lack of historical share price performance and the potential volatility of the Company's shares;
- The Company does not plan to adopt a specific dividend payment policy.

Recent developments in Axway's financial position and prospects

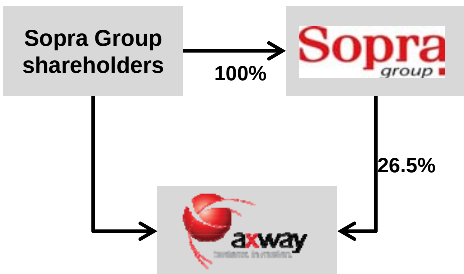
The software market began to see a clear recovery in 2010. For Axway, this was reflected in solid economic performance, with a 14.4% increase in total growth compared to 2009 and operating profit on business activity representing 14.9% of revenue in 2010, versus 10.2% in 2009. In the first quarter of 2011, the Group posted revenue of €47.1 million, representing total growth of 7.5% and organic growth of 6.3% compared to the same period the previous year. It should be noted that the Group's emergence from the economic crisis that had weakened its performance in 2009 resulted in significant revenue growth during the first quarter of 2010, thus creating a less favourable basis for comparison (see Sections 9.5 and 12 of the Prospectus).

In 2011, Axway targets positive organic growth and expects that its operating margin will at least remain stable.

Simplified ownership structure

The chart shown below reflects the ownership structure of the Group and Groupe Sopra at the date of this Prospectus.

The chart shown below reflects the ownership structure of the Group and Groupe Sopra on completion of the Transaction described in this Prospectus (see paragraph B below and Section 26.1.1 of the Prospectus).



These percentages are 73.5% and 26.5% respectively. It should be noted that the 26.5% stake held by Sopra Group S.A. in the Company might include up to approximately 1.5% of the share capital held to protect the holders of Sopra Group S.A. share subscription options upon the Distribution of Axway Shares. Subject to any applicable restrictions, these Company shares would be remitted to them should they decide to exercise their options (see Section 26.1.1.10 "Protection of option beneficiaries" of the Prospectus).

B. Information about the Transaction

Objectives of the Transaction

The separation of Axway's business from that of Groupe Sopra reflects the determination to:

- enhance the market visibility and perception of both Axway and Sopra Group S.A.'s activities and performance, as the divide between their business models has increasingly widened, in terms of business segments, organisation, geographies and client portfolios;
- significantly raise Axway's profile and heighten recognition of its value;
- further Axway's strategic objectives, whose aim is to offer a market-leading family of solutions for the management of electronic data exchanges between large companies or organisations and all partners in their ecosystems;
- give greater latitude to both Axway and Sopra Group S.A. in building strategic alliances or pursuing external growth opportunities;
- build Axway's capacity to raise finance, in particular so as to pursue acquisitions, and enable Sopra Group S.A. to focus its resources on the development of its own businesses.

Terms and conditions of the Transaction

The admission to trading of the Company's shares on the NYSE Euronext regulated market in Paris forms part of the project to separate Sopra Group S.A.'s historical businesses (Consulting and Systems and Solutions Integration) from those of the Company (sale of business interaction network management software) in order to create an independent group (Axway).

The admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris will be concurrent with the distribution by Sopra Group S.A. to its shareholders of approximately 73.5% of the Company's share capital, subject to vote by shareholders at Sopra Group S.A.'s Ordinary General Meeting to be held on 8 June 2011, following which Sopra Group S.A. would retain an ownership interest of at least 26.5%, approximately (disclosures relating to Sopra Group S.A. may be found in its 2010 Reference Document, whose original French-language version was filed with the AMF on 8 April 2011 under number D.11-0261). It should be noted that the 26.5% stake held by Sopra Group S.A. in the Company might include up to approximately 1.5% of the share capital held to protect the holders of Sopra Group S.A. share subscription options upon the Distribution of Axway Shares. Subject to possible restrictions applicable, these shares would be remitted to these share subscription options holders in the event that these options are exercised (see Section 26.1.1.10 "Protection of option beneficiaries" of the Prospectus).

To this end, Sopra Group S.A. plans to distribute to its shareholders one (1) Company share in respect of each Sopra Group S.A. share held for which the shareholder is entitled to receive the distribution (the "**Distribution of Axway Shares**"), together with a payment in the amount of €3.92 to offset the major portion of the French tax impact from this distribution (the "**Cash Distribution**"), as an exceptional distribution of premiums and reserves (the Distribution of Axway Shares and the Cash Distribution being referred to collectively hereinafter as the "**Distribution**").

The Distribution will be decided by the Ordinary General Meeting of Sopra Group S.A. shareholders to be held on 8 June 2011 (see Section 26.1.1.3 of the Prospectus).

The Distribution of the Axway Shares will be adjusted against Sopra Group S.A.'s equity in an amount that will be approved by Sopra Group S.A.'s Board of Directors and brought to the attention of Sopra Group S.A. shareholders in a notice published prior to the Sopra Group S.A. General Meeting called to vote on the Distribution.

Horwath Audit France was named as the independent expert entrusted with responsibility for verifying the consistency of the amount to be adjusted against Sopra Group S.A.'s equity to be approved by Sopra Group S.A.'s Board of Directors.

The ex-date for the Distribution, the payment date for the Cash Distribution and the settlement/delivery date for the Distribution of Axway Shares will all be equivalent to the date of the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris (the "**Distribution Finalisation Date**").

At the date of this Prospectus, the planned Distribution Finalisation Date is 14 June 2011.

Commitments to retain the shares remitted upon the Distribution of Axway Shares for a period of 180 days following the date of the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris have been given by Sopra Group S.A and its main shareholders (Sopra GMT, Geninfo and Caravelle) to its advisory banks (see Section 26.1.1.c of the Prospectus).

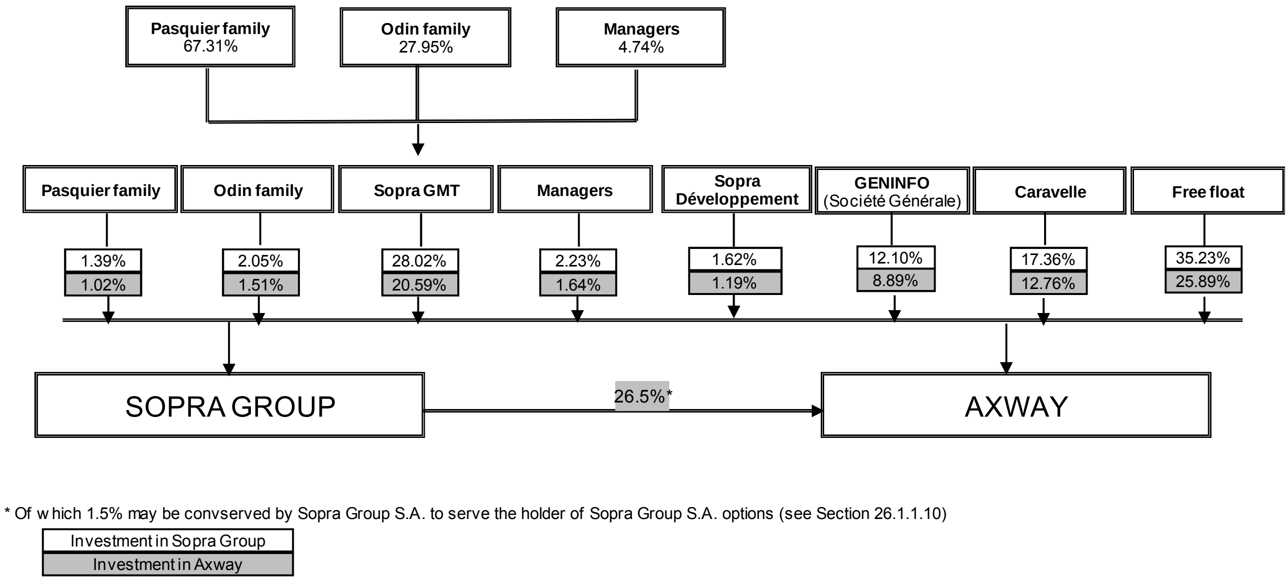
It is to be understood that the Distribution could be followed as quickly as possible, subject to market conditions, by a capital increase in application of the preferential right of the Company's shareholders to subscribe to shares. Accordingly, the purpose of this capital increase, expected to be in the range of €50–65 million, would be to reimburse current account advances granted to the Company by Sopra Group S.A.

The main criteria to be used to assess the value of Axway are comparables as presented in Section 21.1.4 of this Prospectus.

C. Ownership structure

At the date of this Prospectus, Sopra Group S.A. holds 100% of the Company's share capital and voting rights.

At the conclusion of the Transaction, the new Group's ownership structure will be as follows (on the basis of share ownership information at 31 December 2010 and a distribution ratio of approximately 73.5% of Axway Software S.A.'s capital to Sopra Group S.A. shareholders):



In respect of Axway, Sopra Group S.A.'s and Axway's holding company, Sopra GMT, will be acting in concert with:

- the Pasquier and Odin family groups, Sopra Développement and Sopra Group S.A.'s senior managers, under a shareholders' agreement dated 7 December 2009 relating to Sopra Group S.A., extending the provisions of said agreement so that they apply to the Company's shares (including in particular commitments to act in concert and a pre-emptive right), and
- Geninfo and Sopra Group S.A., with the understanding that these two companies are not party to any shareholders' agreement relating to Axway.

In all, Sopra GMT will hold in concert 61.34% and thus more than half of the Company's voting rights, thereby exerting control over the Company once the Company's shares have been admitted to trading on the regulated market of NYSE Euronext in Paris (see Sections 18.1 and 18.3 of the Prospectus).

D. Practical information

Provisional calendar

Approval visa of the Prospectus by the AMF	29 April 2011
Sopra Combined Annual General Meeting to vote on reduction in capital and amendment of Articles of Association	10 May 2011
Sopra Ordinary General Meeting to vote on Distribution	08 June 2011
Distribution Finalisation Date and date of admission to trading of Axway's shares on the regulated market of NYSE Euronext in Paris	14 June 2011

Documents on display

All legal and financial documents relating to the Company required to be made available to shareholders and the public may be viewed at the Company's registered office.

Copies of the Prospectus may be downloaded free of charge from the websites of Sopra Group S.A. (www.sopragroup.com), Axway (www.axway.com), and the Autorité des Marchés Financiers (www.amf-france.org). Copies of the Prospectus may also be obtained from Sopra Group S.A. (9 bis, rue de Presbourg, F-75116 Paris) and from Axway (PAE Les Glaisins, 3, rue du Pré Faucon, F-74940 Annecy-le-Vieux).

1. PERSONS RESPONSIBLE

1.1 Persons responsible for the Prospectus

1.1.1 For Axway

Christophe Fabre, Chief Executive Officer, Axway.

1.1.2 For Sopra Group S.A.

Pierre Pasquier, Chairman and Chief Executive Officer, Sopra Group S.A.

1.2 Statements by the persons responsible for the Prospectus

1.2.1 For Axway

“I declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained a letter from the Statutory Auditors certifying that they have verified, in accordance with professional standards and doctrine applicable in France, the financial and accounting information provided in this Prospectus and that they have read the document as a whole.”

Paris, 29 April 2011

Christophe Fabre

Chief Executive Officer

1.2.2 For Sopra Group S.A.

“I declare, having taken all reasonable care to ensure that such is the case, that the information presented in Sections 26.1 and 4.6 of this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.”

Paris, 29 April 2011

Pierre Pasquier

Chairman and Chief Executive Officer

2. STATUTORY AUDITORS

At the date of this Prospectus, the Statutory Auditors of Axway Software are as follows:

2.1 Principal Statutory Auditors

Mazars & Guérard

Tour Exaltis

61, rue Henri Regnault

F-92075 La Défense Cedex

The signing audit partner is Christine Dubus.

Mazars & Guérard is registered as an independent auditing firm with the Compagnie Régionale des Commissaires aux Comptes (CRCC) de Versailles.

Date of appointment: Combined General Meeting of 23 May 2007.

End of term in office: Ordinary General Meeting convened to approve the financial statements for the year ending 31 December 2012.

ACA (Auditeurs & Conseils Associés)

Member of the Compagnie Régionale des Commissaires aux Comptes (CRCC) de Paris

33, rue Daru

F-75008 Paris

The signing audit partner is François Mahé.

ACA is registered as an independent auditing firm with the Compagnie Régionale des Commissaires aux Comptes (CRCC) de Paris.

Date of appointment: Combined General Meeting of 23 May 2007.

End of term in office: Ordinary General Meeting convened to approve the financial statements for the year ending 31 December 2012.

For information, please note that Axway's Statutory Auditors are also those of Groupe Sopra.

2.2 Alternate Statutory Auditors

Jean Louis Simon

Tour Exaltis

61, rue Henri Regnault

F-92075 La Défense Cedex

Date of appointment: Combined General Meeting of 23 May 2007.

End of term in office: Ordinary General Meeting convened to approve the financial statements for the year ending 31 December 2012.

AEG Finances

4, rue de Châtillon

F-75014 Paris

Date of appointment: Combined General Meeting of 23 May 2007.

End of term in office: Ordinary General Meeting convened to approve the financial statements for the year ending 31 December 2012.

3. SELECTED FINANCIAL INFORMATION

3.1 Key financial information

The financial information presented below is drawn from Axway's combined financial statements for the years ended 31 December 2008, 2009 and 2010. The combined financial statements bring together all information relating to the Axway sub-consolidation group, prepared in accordance with IFRS using the principles of consolidation accounting applied for Sopra Group S.A.

On the basis of these combined financial statements, Axway has prepared pro forma financial statements, which aim to simulate the impact of the proposed spin-off from Sopra Group S.A., as if this planned separation had occurred on 1 January 2008, and as if Axway had operated as a distinct and independent group that would have been listed as from that (see Sections 9.2 and 20.3).

As the spin-off has no impact on Axway's financial statements, the pro forma financial statements are identical to the combined financial statements. Only the income statement will be presented differently in the pro forma financial statements, following the presentation used by software developers, which will be the presentation to be adopted by the Company as from the 2011 financial year.

FINANCIAL HIGHLIGHTS OF THE PRO FORMA INCOME STATEMENT

(in thousands of euros)	2010	Restated 2010 (CVAE)	2009	2008
Revenue	208,421	208,421	182,218	171,187
Operating profit on business activity	31,085	30,040	18,489	20,201
Profit from recurring operations	29,141	28,096	16,633	19,479
Operating profit	25,558	24,513	16,633	18,311
Net profit – Group share	26,595	26,595	9,980	7,864

In order to measure Axway's operating performance and ensure comparability with prior years, information relating to the 2010 financial year is also presented with a restatement for the CVAE (*cotisation sur la valeur ajoutée des enterprises*, a component of the new CET (*contribution économique territoriale*), the replacement for the TP (*taxe professionnelle* or local business tax) introduced by the French Finance Act for 2010) (see Note 8.3 in Section 20.1).

The CVAE has been reclassified as corporate income tax as of fiscal 2010. In prior years, the TP was classified as an operating expense.

FINANCIAL HIGHLIGHTS OF THE PRO FORMA BALANCE SHEET

(in thousands of euros)	31 December 2010	31 December 2009	31 December 2008
Non-current assets	208,587	186,319	185,165
Current assets	99,820	74,468	71,534
TOTAL ASSETS	308,407	260,787	256,699
Equity – Group share	148,095	110,309	102,986
Minority interests	2	2	3
Non-current liabilities	87,658	91,278	86,648
Current liabilities	72,652	59,198	67,062
TOTAL EQUITY AND LIABILITIES	308,407	260,787	256,699

FINANCIAL HIGHLIGHTS OF THE PRO FORMA CASH FLOW STATEMENT

(in thousands of euros)	31 December 2010	31 December 2009	31 December 2008
Opening cash position	11,286	10,952	9,210
Net cash from operating activities	23,824	5,095	11,596
Net cash from (used in) investing activities	-2,796	-2,040	-86,822
Net cash from (used in) financing activities	-9,682	-2,892	76,909
Impact of changes in foreign exchange rates	-358	171	59
Closing cash position	22,274	11,286	10,952

3.2 Other financial information

3.2.1 Statement on net working capital

Axway declares that, in its opinion, the net working capital available to the Group (calculated on the basis of Group's financial statements whose method of preparation is described in Note 1 to the combined financial statements included in Section 20.1 of this Prospectus) is sufficient to meet its requirements over a period of twelve months from the date of the AMF's visa authorising this Prospectus.

3.2.2 Shareholders’ equity and debt

Consistent with the recommendations of the Committee of European Securities Regulators issued in February 2005 (CESR/05-054b, paragraph 127), the table below presents the Group’s debt and equity position at 31 March 2011 under IFRS.

(in thousands of euros)	31 March 2011
1 Shareholders’ equity and Debt	
Total short-term financial liabilities	**425**
Guaranteed by collateral	-
Without guarantees or pledges (including finance leases)	425
Total long-term financial liabilities	**44,377**
Guaranteed by collateral	-
Without guarantees or pledges (including finance leases)	44,377
Shareholders’ equity excluding profit or loss for the period	**144,114**
A. Capital and reserves	144,112
B. Other reserves	-
C. Treasury shares	-
D. Total equity, Group share (A + B + C)	**144,112**
E. Minority interests	2
Total equity (D + E)	**144,114**
2 Analysis of net financial debt	
F. Cash	
G. Cash equivalents	17,363
H. Financial assets measured at fair value through profit or loss	-
I. Total (F + G + H)	-
J. Short-term bank debt	**17,363**
K. Current portion of long-term financial liabilities	25
L. Other financial liabilities	-
M. Total short-term financial liabilities (J + K + L)	400
N. Net short-term financial liabilities (M – I)	**425**
O. Long-term bank debt	**-16,938**
P. Bonds issued	42,799
Q. Other long-term financial liabilities	-
R. Total long-term financial liabilities (O + P + Q)	1,578
S. Net financial debt excluding the impact of derivatives (N + R)	**44,377**
T. Derivatives included under liabilities	**27,439**
U. Derivatives included under assets	-
V. Impact of derivatives on debt (T + U)	-
W. Net financial debt (S + V)	-
	27,439

At the date of this Prospectus, there is no indirect or conditional debt. Additionally, since 31 March 2011, there has been no notable change that might have a significant impact on the combined debt or shareholders’ equity.

4. RISK FACTORS

Apart from the information contained in this Prospectus, investors are invited to take into consideration the risks described below.

The occurrence of any of these risks might significantly affect the Group's operations, net profit or financial position, or cause actual results to differ significantly from those expected or those expressed in any forward-looking statements made by the Group. Furthermore, investors should be aware that the list of risks presented in this chapter is not exhaustive and that the Group may be exposed to other risks, either currently unknown or not considered, at the date of this Prospectus, as likely to have an adverse impact on the Group, its operations, its financial position, its business results or its prospects.

4.1 Risks associated with the Group's operations

4.1.1 Uncertainties related to the global economic environment

The Group's revenue, net profit and cash flow are significantly affected by the global economy and the financial markets.

By its nature, the IT industry is especially susceptible to economic cycles. Moreover, the infrastructure software market in which the Group is active has often shown greater sensitivity to worldwide economic upturns and downturns than the application software market. The deployment of a large-scale infrastructure network may represent an important portion of a client's technology budget. Consequently, decisions relating to this type of investment greatly depend on global economic conditions.

In light of the difficult economic context worldwide, the Group has faced declining revenue, net profit and cash flow in the past, or slower growth than anticipated, and might continue to face such challenges in the future. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain, the Group might see lower levels of growth than in the past, which might have an adverse impact on the Group's operations and business results.

Furthermore, the Group is present mainly in the European and United States' markets and is currently developing operations in Asia's emerging markets. Apart from risks related to foreign exchange rates described later in this chapter, due to its established presence in these geographic regions, the Group is particularly exposed to the risk of unfavourable developments in the economic context and/or regulatory regimes in the countries where it maintains operations.

Owing to highly diversified revenue streams across its clients, with no single client accounting for more than 3.4% of the Group's revenue in 2010, the Group is not exposed to the risk of client dependency. In addition, the delinquency rate has been reduced. However, clients in specific industry segments, in particular banking, financial services, supply chain and logistics, government agencies and healthcare, account for a large part of the Group's revenue and may prove more susceptible than others to the economic uncertainties of the current context. This might lead existing or prospective clients in these segments to limit, postpone or cancel all or part of their information technology purchases or investments, or to reduce or terminate maintenance contracts as well as contracts for other services related to their installed base of systems, which might have an adverse impact on licensing and/or the Group's revenue. Sales cycles for licences to use the Group's software packages might also tend to lengthen in the face of current economic uncertainties.

In addition, the Group's ability to recover receivables might be affected by the financial difficulties of its clients, especially in the industry segments mentioned above.

Finally, the fact that clients increasingly seek to obtain the most competitively priced offerings might have a material adverse impact on the Group's business results, financial position and revenue.

4.1.2 Infringement of intellectual property rights of third parties

The Group's software packages include certain third-party components, selected either by the Group itself or by companies it has acquired. Due to the use of these third-party components within its software packages and in the absence of specific contractual agreements, the Group is exposed to the risk of being accused by a third party for infringement of intellectual property rights. To limit the risk of such disputes, the Group is especially careful when selecting partner companies who provide third-party components. Should any of its software products be affected by one or another of the aforementioned circumstances, the Group might suffer an adverse impact, as much in relation to the terms and conditions for providing licences to use its software packages as from a financial and brand image perspective.

In the past, the Group has been the focus of claims alleging that its software packages infringed patent rights, particularly in the United States, and/or other intellectual property rights held by third parties, and it may continue to be targeted in this manner in the future. These claims have entailed, and may continue to entail, considerable legal costs should proceedings be brought against the Group, whether such claims are justified or not. In connection with a dispute relating to intellectual property rights, the Group might be compelled to:

- cease development, licensing or the use of software packages or services protected in whole or in part by the contested intellectual property rights;
- enter into licence agreements with the holder of the intellectual property rights asserting infringement, with the understanding that this licensing might prove difficult to negotiate under acceptable terms and conditions, particularly from a financial standpoint;
- redesign its software packages, which might be very costly and might force the Group to temporarily cease licensing or to postpone scheduled releases of software packages in order to avoid making use of the disputed component. Furthermore, such a plan might prove unrealistic to implement;
- pay large sums in punitive damages.

4.1.3 Errors or technical deficiencies in software packages

The Group’s software packages involve complex software engineering methods and often consist of millions of lines of code. For this reason, they may contain errors or technical deficiencies that might lead some clients to bring claims for damages suffered due to the use of a software package and/or business interruption losses or might result in higher costs for maintenance or guarantees.

Errors and technical deficiencies might arise within some of the Group’s existing software packages and others it plans to develop in the future and may only be revealed after deployment, on first use or when new versions and updates are released.

Since the Group’s software packages are often used in complex operating environments processing millions of individual transactions, any loss caused by an error or a technical deficiency, particularly one related to performance, might require the client to take remedial action thereby incurring excess costs (higher costs for maintenance and guarantees, allocation of human and financial resources, etc.). In addition, these technical deficiencies might tarnish the Group’s reputation and ultimately lead to the loss of clients and/or business opportunities.

The Group carries out extensive tests on all its new software packages (and on all new versions and updates) so as to ensure, to the extent possible, that they are free of errors or technical deficiencies. In addition, all software packages are also subject to in-depth quality assurance testing before being released to the market and delivered to the client. Furthermore, it is the client’s responsibility to test the software package thoroughly before using it in a real-life environment. However, any claim for damages brought against the Group, even if unsuccessful, might involve protracted litigation and therefore high legal defence costs, with an adverse impact on the Group’s brand image. So as to limit the financial consequences of the risk of errors within its software packages giving rise to damages for clients and third parties, the Group has taken out products liability insurance (see Section 4.9). Nevertheless, although the amount of coverage provided is considerable, it might not be sufficient to offset all costs incurred as a result of errors of technical deficiencies.

4.1.4 Security of software packages

The Group operates in a market characterised by the rapid pace of developments in technology and is therefore exposed on a constant basis to the risks of software piracy and industrial espionage, as well as potential attacks by computer viruses or software bugs that may interfere with the proper functioning of its systems and software packages and of those installed on the premises of its clients, which might result in major losses. Apart from the potential for data loss, such circumstances might also have material adverse consequences for the Group’s operations and its brand image.

Given the importance of security concerns in the development of software packages, as much in relation to the Group’s own products as to those used by the Group in connection with its operations, the Group has implemented measures to mitigate these potential risks.

In spite of all precautions taken, there can be no assurance that the Group will not fall prey to computer viruses, software bugs, piracy or, more generally, that it will not experience any failures in its information systems or its backup procedures, which might have a material adverse impact on its operations or its business results.

4.1.5 Use of free software

The Group makes use of third-party components. In particular, some of the Group's products may involve the use of free software.

In this respect, the Group may decide to include several components available as free software within its products, as has already been the case in the past, and its team of developers might plan to use these components to reduce the development time required and thus the time to market for the products in question. Certain free software components may involve the application of licence agreements, but others may be used in the absence of any express agreement. Moreover, some free software components, whose creators want to ensure that their products are never distributed under a proprietary licence, include restrictions in their licences known as "contamination" clauses preventing their code from being embedded in commercial products, implying that any product incorporating this component must also have the status of free software. Consequently, there is also the risk that some of the Group's products, developed on the basis of "contaminating" free or open-source software, may themselves be considered as non-proprietary and therefore usable by third-party developers. This type of use might have an adverse impact on the Group's operations because it might result in claims brought by third parties in relation to infringements of intellectual or industrial property rights and require the Group to reveal a portion of the source code for the software products developed on the basis of contaminating software, which otherwise would be covered by trade secret protection.

4.1.6 Innovation

Technology innovation is a constant feature of the market in which the Group operates. As a result, the Group's success depends in large measure on its capacity to develop new software packages (or improve existing ones) in order to better meet the needs of its clients. The Group must therefore anticipate any developments in technology likely to be desired by the market, in order to offer a range of solutions perceived by its clients as sufficiently differentiated from existing software and at prices the market will accept.

Despite the significant resources devoted by the Group in support of the development of new offerings and the improvement of its existing software packages (especially the Synchrony™ platform), with R&D expenses totalling €32.7 million in 2010, the new software packages developed by the Group might not meet the market's expectations, and demand for its software packages might therefore fall, affecting its operating profit and financial position.

In a more general sense, any change in the Group's market position with respect to innovation might have a material adverse impact on the Group's operations, financial position and revenue.

4.1.7 Competition

The target market for the Group's software packages and services is characterised by fierce competition as well as the rapid pace of developments in technology and offerings. The Group competes with a wide range of companies of all sizes whose offers of products and services are similar to those of the Group. Some competitors have been present in the same market as the Group for longer and their financial and technology resources, not to mention their development and marketing resources in support of their software products, are occasionally greater than those of the Group. Although the Group intends to increase its size in future, moves towards consolidation in the sector might favour the emergence of large competitors with stronger financial backing than its own. In addition, the Group might lose market share and report weaker financial results in the face of heightened competition in its market. Hence, the arrival of one or more major competitors, especially a multinational IT company interested in expanding into the business interaction network software market in which the Group is positioned to offer either software packages and/or services, might affect the Group's market share in relation to its full range of solutions. The adverse impact of such a development might involve downward pressure on prices or the need for defensive actions entailing greater advertising and promotional expenditures, and thus materially affect the Group's operations, business results and financial position.

4.1.8 Dependence on key personnel

Given the complexity of its software packages, the Group's continued success is contingent upon its ability to ensure the harmonious management of its human resources and build the loyalty of staff members who are fully familiar with its software packages and their development processes, who have a good understanding of the approaches to the use of a given product that are suitable for each client. Any significant reduction in the number of highly experienced staff members, especially if they leave the Group to work for a competitor, might result in a lowering of Group standards with respect to client service and product quality, requiring additional recourse to sub-contractors, with a potential impact on the Group's revenue. Furthermore, the technologies employed by the Group require the presence of an experienced and motivated sales force on an ongoing basis. Any loss of key members of this team or any steep increase in their turnover rate might have a material adverse impact on the

Group's revenue. The Group has not taken out any insurance policy providing coverage for the loss of highly experienced and qualified staff members. However, in order to mitigate this risk, the Group has put in place incentive and training programmes. It has also diversified its research and development resources across various geographic regions so as to reduce its dependence on any given site.

4.1.9 Seasonality

The software and services sector is characterised by high seasonal variations in business activity, generally reflected in strong performance in the last quarter of the year, and especially in the month of December.

As with most other software developers, signings of the Group's licence agreements are concentrated towards the end of the calendar year, which corresponds to the close of its accounting year. Clients delay their purchases to obtain larger discounts, to regulate the use of their budget or for other factors not related to the Group. Consequently, the cyclical nature of the Group's business activities limits the reliability of its forecasts. The Group's profitability in any given year or half-year period may thus be delayed to a certain extent, in particular if major contracts are involved, as the Group will need to wait for the definitive signing of the necessary contracts in order to recognise its revenue.

This phenomenon, whose magnitude may vary from year to year, results in changing levels of business activity, which may have an impact either on the Group's revenue or its annual or half-year results. In particular, the Group's revenue and profitability are weaker, as a rule, in the first half of the year compared to the second half.

4.1.10 Uncertainty of business results

Rapidly changing markets, competition and the size of client contracts as well as the seasonal nature of the business may materially affect the Group's revenue and profit forecasts for a given period.

Apart from the influence of seasonal variations in revenue (see Section 4.1.9 "Seasonality" above), the Group's performance might be adversely affected by numerous other factors, some of which are able to be very closely monitored by management, while the potential influence of others is more difficult to assess. These factors include, in particular:

- fluctuations in exchange rates for foreign currencies against the euro (US dollar, Swedish krona and pound sterling) (see Section 4.2.3.b "Foreign exchange risk");
- the overall business context for the software industry (see Section 4.1.1 "Uncertainties related to the global economic environment");
- the general economic environment (see Section 4.1.1 "Uncertainties related to the global economic environment");
- the emergence, consolidation or insolvency of a competitor (see Section 4.1.7 "Competition");
- the Group's programme of acquisitions and those of its competitors (see Section 4.1.11 "Acquisitions");
- launches of new or updated versions of software packages by the Group (see Section 4.1.3 "Errors or technical deficiencies in software packages");
- product launches by the Group's competitors (see Section 4.1.7 "Competition").

4.1.11 Acquisitions

The Group's growth strategy is pursued in particular through acquisitions. The Group's ability to increase its revenue and its profit might depend in part on its capacity to identify suitable acquisition targets, to carry out these acquisitions at an acceptable cost and to integrate the products acquired with its existing offering. Should it fail to achieve these objectives, the Group might not be able to implement its acquisition strategy.

The Group cannot provide any guarantee that it will be able to successfully integrate any companies that may be acquired, deliver the anticipated synergies, build loyalty among employees of the acquired companies or ensure that these acquisitions will increase the Group's profitability. Any future difficulties in these areas would be likely to have an adverse impact on the Group's financial results, financial position and prospects.

4.1.12 Changes in the Group's business activities

The Group's revenue is generated by software package licensing together with contracts for professional maintenance and services. In any given period, the results of the Group's operations would be very different should there be a marked shift in favour of one or another of these revenue sources.

4.2 Risks associated with the Group's assets

4.2.1 Risks related to intangible assets

Intangible assets mainly comprise goodwill. At 31 December 2010, goodwill amounted to €165.7 million (see Section 20.1.1) arising on the acquisition of companies in recent years and certain allocated intangible assets. Every year, the Group's executive management team tests its intangible assets for impairment. Acquisitions or disposals, revisions in standards, fluctuations in exchange rates or interest rates, changes in the Group's profitability, whether resulting from internal or external factors, might have a material adverse impact on the Group's business results or financial position.

4.2.2 Intellectual property risks

The Group's business is built upon the software packages it has developed over a number of years, either in their entirety or on the basis of acquired software packages or licences. Continuing to use and develop these software packages is essential to ensure the Group's future success. Protecting the Group's intellectual property rights is a cornerstone of its business, particularly thanks to copyright and to patent, trademark and trade secret protection.

The Group ensures that its software packages are protected by patents in countries where applicable laws offer this possibility, as is the case in the United States. In countries where it is not possible to obtain protection via patents, the Group's software packages are protected by copyright. To supplement this protection, the Group ensures the enforceability of its rights against third parties through the use of registrations with private agencies such as Logitas.

However, the effective protection of copyright, patent rights, trademarks and trade secrets may be unobtainable or limited in some countries where intellectual property rights are not given the same protection as they are in the United States or Western Europe, or even impossible because background rights are held by third parties. There is a risk, particularly in countries not offering sufficient legal protection, that a third party may claim ownership of intellectual property rights relating to a portion or the entirety of software packages lacking sufficient legal protection, which might allow third parties to develop their own products, thus diluting the Group's intellectual property rights. This might have an adverse impact on the Group's operations, causing it to incur expenditure in order to enforce its intellectual property rights. As a consequence, the Group might also be hindered in its capacity to use or develop its portfolio of software packages. A failure to protect intellectual property rights might jeopardise the Group's ability to maintain its competitive position in its market, which could have a material adverse impact on the Group's operations, business results and revenue.

4.2.3 Market risk

(a.) Interest rate risk

At the date of this Prospectus, the only debt carried by the Group in material amounts relates to the cash management agreement signed with Sopra Group S.A. for €42.8 million at 31 March 2011 (€68.4 million at 31 December 2010), whose interest rate for 2011 is 2.5% and is adjustable annually. A 1% change in this interest rate would have an impact of €0.428 million on the Group's profit. It is intended that this agreement will remain in force until 31 December 2012, with the understanding that in the event that the Company's proposed and previously announced capital increase is completed, the current account advances granted by Sopra Group S.A. under this cash management agreement would be reimbursed in their entirety.

The Company will also be exposed to an interest rate risk in connection with a medium-term credit facility (with a contractual maturity of five years as of the date of the initial listing) granted in the amount of €100 million under a "club deal", to which the lending institutions have made a firm commitment at the date of this Prospectus. In addition to this line of credit, bank overdrafts in the amount of €20 million will also be available at the date of the Company's initial listing (see Sections 4.3 and 10.5).

The Company plans to put in place an appropriate interest rate hedging strategy to protect against the risk attaching to this syndicated loan.

(b.) Foreign exchange risk

The wide geographic distribution of the Group's operations entails the use of several different currencies. A significant proportion of the Group's assets, liabilities, revenue and expenses is denominated in currencies other than the euro, mainly the US dollar and, to a lesser extent, the Swedish krona and the pound sterling, while the Group's consolidated financial statements are euro denominated. Consequently, fluctuations in these currencies, and especially the US dollar, against the euro, have had a material impact on the Group's financial position and business results, and might also have such an impact in the future (see Note 31.2 of Section 20.1). However, with respect to the US dollar, it should be noted that although this currency has depreciated considerably against other currencies since 31 December 2010, for Axway's business the dollar zone is a region where revenue-generating trade activities and development and assistance activities primarily incurring payroll costs are carried out simultaneously. For this reason, fluctuations in exchange rates for the US dollar against the euro affect Axway's revenues and costs to a nearly equivalent extent and thus have only a limited overall impact, especially with respect to margin levels.

At the date of this Prospectus, the Company does not plan to enter into any forward currency contracts to hedge commercial transactions.

(c.) Equity risk

At the date of this Prospectus, the Group does not hold a portfolio of investment securities and does not consider itself as exposed to equity risk.

4.2.4 Risks associated with various national legal frameworks

The Company has operations in more than fifteen countries throughout the world and consequently finds itself subject to the applicable laws in each of these countries. Most of these countries have laws on foreign investments and on companies under foreign ownership conducting business within their territories. These laws may be amended at any time and the Group's operating costs in a given country may prove to be higher than anticipated. These amendments may also alter tax regimes or make it more difficult to bring funds into or out of the country, with the risk of excess costs. Due to its worldwide presence, the Group faces other types of risks such as: adverse changes in tariffs, taxes, export controls and other trade barriers, unanticipated changes to legal and regulatory requirements as well as political and economic instability in some countries. Any occurrence of this type of risk event might have a material adverse impact on the Group's business results.

4.3 Liquidity risk

The Company aims to ensure that it has access at any time to the financial resources necessary to sustain ongoing activities and make the investments required for its future development.

Prior to the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris, the Company did not face any liquidity risk (see Note 31.2 of Section 20.1).

At 31 March 2011, the Company was indebted to Sopra Group S.A. in the amount of €42.8 million (€68.4 million at 31 December 2010) under a cash management agreement concluded on 19 December 2001 concluded at market conditions (see Note 31.2 of Section 20.1). By an instrument dated 27 April 2011, Sopra Group S.A. and Axway established that this agreement would be maintained in force until 31 December 2012 and that Axway would have access to the amounts made available by Sopra Group S.A. until that date, but that the amounts transferred would be subject to early repayment should the proposed capital increase be completed, whose proceeds would be used, on a priority basis, for the reimbursement of these amounts.

In addition, at the date of this Prospectus, the Axway group has received a firm commitment dated 21 April 2011 from a group of lending institutions having agreed to participate in a €100 million "club deal" (comprising the following banks: BNP Paribas, CIC Lyonnaise de Banque, Crédit Agricole Corporate and Investment Bank, HSBC France, Crédit Lyonnais and Société Générale) involving a medium-term credit facility (with a contractual maturity of five years as from the date of the initial listing). Société Générale's financing teams are involved in the arrangement of the €100 million medium-term credit facility and Geninfo, a Société Générale subsidiary, is a Sopra Group S.A. shareholder (see Section 18.1), a potential source of conflicts of interest.

The definitive agreements will be signed before the date of the initial listing of the Company's shares and the funds will be made available to the Company as from this date. In addition to this medium-term line of credit, bank overdrafts in the amount of €20 million will also be available at the date of the initial listing. These credit facilities may not be allocated to the repayment of current account advances (see Section 10.5).

However, the Company's net debt may not exceed certain limits in order to maintain compliance with three ratios set under covenants (R1, R2 and R3, details of which are provided below), applicable from the moment funds are made available and calculated on the basis of Axway's consolidated financial statements (under IFRS):

$$R1 = \frac{\text{Net debt}}{\text{EBITDA}^{1}}$$

This ratio must remain lower than 3 until 30 June 2013, after which date it must remain lower than 2.5.

Net debt as included in the calculation for these ratios does not take into account liabilities related to employee profit sharing.

$$R2 = \frac{\text{Operating profit}}{\text{Net borrowing cost}}$$

This ratio must be higher than 5.

$$R3 = \frac{\text{Net debt}}{\text{Equity}}$$

This ratio must be lower than 1.

The net borrowing cost as included in the calculation for this ratio does not take into account liabilities related to employee profit sharing.

At 31 December 2010, the calculation of these ratios gives the following results:

R1 = 1.58

R2 = 14.9

R3 = 0.31

These ratios were determined after including the current account advance from Sopra Group S.A. under financial liabilities.

Apart from these financial ratios, the Company has made a certain number of representations and warranties, and has undertaken commitments with its banks, all of which are in keeping with standard procedures for this type of financing, particularly with respect to restructuring efforts, acquisitions and disposals of certain assets, and the granting of a pledge relating to Axway's business goodwill, including in particular its client base, leasehold, equipment, goods and tools, its trade name, trademark or service mark and company name. For information, at 31 December 2010, all intangible assets taken together represented a gross value of €33.080 million and a net carrying amount of €20.845 million (see Note 5 of Section 20.1).

4.4 Credit risk

At present, the Company's clients are the main source of any credit risk to which it might be exposed. The Group's software packages are designed to handle millions of transactions and are particularly useful for major organisations engaged in high-volume business activities. This also implies that a single licensing agreement may represent several million euros. Owing to its

[1] Earnings before interest, tax, depreciation and amortisation (EBITDA) refers, for any rolling 12-month period, to the operating profit as reported in the Company's consolidated financial statements, before deducting the amount reported under "*Net increase in depreciation, amortisation and provisions*" in the Company's consolidated financial statements, plus the operating profit, before deducting the amount reported under "*Net increase in depreciation, amortisation and provisions*", of any company that was an acquiree for the period preceding its acquisition date.

diversified revenue streams, the Group is not dependent upon any particular client. However, although the Group's clients are mainly blue-chip companies and organisations (see Note 31.1 of Section 20.1 "Schedule of trade receivables" / "Statement of changes in provisions for doubtful receivables"), it is not without the realm of possibility that the Group might be materially exposed in the event of a client's insolvency. In addition, the geographic scope of its operations exposes the Group to longer payment cycles.

Consequently, default by a client might have a material adverse impact on the Group's business results and its cash flow generation.

4.5 Legal risks

4.5.1 Disputes – Legal and arbitration proceedings

At the date of this Prospectus, proceedings have been brought against the Group by a US government agency (the General Services Administration or "GSA" hereafter) in the matter of a trade dispute relating to the price schedule to which the Group is alleged to have agreed for the supply of licences to this client. No specific amount has been claimed at this stage by the GSA and the Group is currently exploring possible ways to reach an out-of-court settlement for this dispute.

Due to the uncertainty as to the outcome of this claim, the Group is not able, at the date of this Prospectus and given the information currently in its possession, to estimate the total amounts that might be requested and found to be payable by the Group should the matter be brought before the court.

In 2008, the Company was the subject of a tax audit relating to the 2005 financial year and an agreement with the tax authorities was reached in February 2009. As a provision was set aside in the financial statements for the year ended 31 December 2008 in the amount of the adjustment accepted by the Company (€1.112 million), this tax audit has been considered as definitively closed and had no impact on the financial statements for the year ended 31 December 2009 (see Note 27.3 of Section 20.1).

As far as the Company is aware, there are no other governmental, legal or arbitration proceedings, known, in progress or to which it might be exposed, likely to have a material impact on the financial position or profitability of the Company and/or the Group, or which may have had such an impact during the past 12 months.

4.5.2 Risks associated with the early termination of partnership agreements

Although the portion of revenue generated through partnership agreements is still relatively small, building partnerships is considered by the Group as a strategic priority for its further development, especially in countries where the Group currently enjoys only a limited presence (particularly the emerging markets of Singapore, Hong Kong, Malaysia, China and India). Consequently, the early termination of one or more partnership agreements might, in future, have an adverse impact on the Group's operations, financial position or business results. In the absence of any specific procedure that might be put in place to mitigate the risk of early termination of partnership agreements, the Group makes every effort to maintain its contractual relationships with its partners.

4.5.3 Risks associated with the non-renewal of maintenance agreements

The Group's maintenance agreements are concluded for periods ranging from one to three years, subject to automatic renewal for successive one-year periods, and the rate of non-renewal of these maintenance agreements is currently less than 10%. Accordingly, the Group's exposure to the risk of non-renewal of these maintenance agreements is low. In the absence of any specific procedure that might be put in place to mitigate the risk of non-renewal of maintenance agreements, the Group makes every effort to maintain its contractual relationships with its clients.

4.5.4 Risks associated with suppliers

The Company plans to expand its hybrid offerings combining components installed on the premises of clients with the supply of software services hosted in the cloud on demand. The development of these off-premise services will mean that the Group will be making greater use of providers to whom it will sub-contract all or a portion of these services. A default by one or more service providers might, in future, have an adverse impact on the Company's operations, financial position or business results.

4.6 Dependence on Sopra Group S.A.

4.6.1 Dependence from an operating standpoint

As a Sopra Group S.A. subsidiary at its inception, the Group enjoyed a number of advantages, including the following:

- its clients perceived the entity as part of a major group, raising their level of confidence with respect to the entity's reliability and viability;
- it was able to avail itself of certain support services provided by Sopra Group S.A, mainly relating to the finance, accounting, legal and logistics functions, as well as in the areas of human resources and information systems;
- Sopra Group S.A. promoted the Group and its software packages among its clients in other segments of its business;
- Axway benefited from Sopra Group S.A.'s economic advantages relating to certain components of software packages within the Group;
- it benefited from the advantageous terms of Sopra Group S.A.'s financing (including the amount of €42.8 million at 31 March 2011 under the cash management agreement dated 19 December 2001), in particular to pursue external growth opportunities;
- in addition, in the past, the Group enjoyed special financial arrangements or other benefits, especially with respect to insurance, at attractive costs or under more favourable terms than would otherwise be offered.

Although the Company, and then the Group, has gradually put in place structures allowing it to ensure its independence from Sopra Group S.A., it is not inconceivable that by ceasing to be a subsidiary of Sopra Group S.A. once the transaction described in Section 26.1 is completed, the Company might experience certain difficulties on an operational level related to the need to set up the functional structures required as a newly listed and independent entity.

In particular, due to the fact that the Company will continue to benefit from the services provided on a contractual basis by Sopra Group S.A. relating to the support functions mentioned above during a transitional period, as well as the other services (a total of €42.8 million made available at the sites of Annecy and Puteaux at 31 March 2011) described in Chapter 19, the cancellation or the expiration of any of these agreements might have a material adverse impact on the Group's operations and financial position (especially in relation to the Group's inability to immediately provide the functions in question itself and/or the replacement costs incurred).

In addition, the Company's operations in India will continue to benefit from the equipment made available and human resources (65 staff members) seconded by Sopra Group S.A. under an agreement dated 31 May 2010 concluded between Sopra India Private Limited, Sopra Group S.A.'s Indian subsidiary, and Axway Software, that will be recharged according to terms renegotiated each year (€110 per day and per employee in 2010) (see Note 32.2 of Section 20.1).

4.6.2 Continued dependence on the Group for major decisions

Once the Company's shares have been admitted to trading on the regulated market of NYSE Euronext in Paris, Groupe Sopra will retain an influence over the Company and will have the option to reach major decisions concerning the Company, since Sopra GMT, the financial holding company of Sopra Group S.A., will exert control over Axway due to its direct ownership interest, acting in concert, of about 61.34% of the voting rights (see Section 18.1).

Furthermore, Sopra Group S.A. will appoint the members of the Company's Board of Directors and will thus have an influence on certain strategic decisions, such as investment and divestment plans that might be carried out by the Company.

Sopra GMT will also provide a certain number of services on behalf of Sopra Group S.A. and Axway Software (see Chapter 19).

4.7 Risks related to the Transaction

4.7.1 Risk associated with the absence of an earlier listing

Prior to their admission to trading on the regulated market of NYSE Euronext in Paris, the Company's shares will never have been listed on a regulated market. The price for the Company's share on the regulated market of NYSE Euronext in Paris when it begins trading will result from the interaction between the first market orders, whose nature and size will depend upon a certain number of factors, in particular the market conditions and economic climate prevailing at that time, the Group's current business results, the state of the Group's operations as well as any sale into the market effected by Sopra Group S.A. shareholders having received Company shares in connection with the distribution in kind described in Section 26.1.1 of this Prospectus. Sopra Group S.A.'s shareholders may prefer to focus their investments in the consulting and IT services segment and may not necessarily wish to invest in the infrastructure software development segment where the Group is active.

The share price on the first days of trading might not reflect the eventual market price for the Company's shares over the months following the admission to trading on the regulated market of NYSE Euronext in Paris, once various market players will become more familiar with the Group.

Although the Company has requested that its shares be admitted to trading on the regulated market of NYSE Euronext in Paris, it is not possible to guarantee that a liquid market will exist for its shares, nor whether such a market will last, should it arise. The absence of a liquid market for the Company's shares might have a material adverse impact on the liquidity and the market price for its shares.

4.7.2 Risk related to listing

As a result of its initial public offering, the Company will be subject to the legal and regulatory provisions applicable to companies whose shares are listed on the regulated market of NYSE Euronext in Paris. This legal and regulatory framework for listed companies has become increasingly complex. Should this general trend persist, it might occasion unanticipated costs for the Group and might require the Group to take on additional staff in order to monitor its compliance with legal and regulatory requirements applicable to listed companies. The Group has already built into its budget additional costs for external resources and experts to ensure compliance.

4.7.3 Risks related to the potential volatility of the Company's shares upon admission to trading

Over the last several years, and especially of late, stock exchanges have experienced wide fluctuations, often not correlated with the business results of companies whose shares are traded. Market fluctuations and the general economic climate might increase the volatility of the Company's share price. The market price for the Company's share might vary significantly, in reaction to different factors and events, including but not limited to the risk factors described in this chapter and the market liquidity of the Company's shares.

4.8 Risk associated with the dividend distribution policy

The Company does not plan to adopt a specific dividend payment policy, as its dividend payments may vary from one year to the next.

4.9 Policy with respect to insurance

At the date of this Prospectus, Axway has implemented, for itself and for the Group, as necessary, an insurance programme (effective retroactively from 1 January 2011) to protect against the risks to which the Group is exposed, namely liability coverage for the Group's operations and property damage coverage for the Group's assets.

This insurance programme covers the risks associated with its operations in information systems engineering, the design, production, distribution, development, sales and marketing, publishing and/or installation and maintenance of all equipment, software packages and other software products, consulting, systems integration, training and technical assistance, and the design and production of computer-aided management or manufacturing systems.

This insurance programme has been taken out with a top-tier insurer, in consultation with and as selected by a broker appointed by the Company.

In the opinion of the Group, the insurance policies described below take into account the risks incurred by the Group. However, it is not inconceivable that the Group may be required to pay compensation for losses not covered by the insurance programme put in place.

1) Professional liability and premises and operations liability insurance

The Group has taken out an insurance policy combining professional liability coverage with premises and operations liability coverage the purpose of which is to provide protection for the Group's various entities against the financial consequences of any liability they might incur due to bodily injury, property damage or economic loss, whether consequential or direct, caused to third parties and resulting from the Group's operations, professional negligence or the goods manufactured, sold and/or delivered by the Group. This policy also covers the additional costs incurred to prevent the occurrence of a loss or reduce its severity.

This insurance programme consists of a master policy, supplemented by local policies in the countries where the Group has subsidiaries (Germany, Belgium, Bulgaria, Spain, Italy, Romania, the Netherlands, Sweden, the United Kingdom, Australia, China, South Korea, Hong Kong, Malaysia, Singapore, Switzerland and the United States).

The master policy serves to provide broader coverage to the insured than that provided by the local policy and to increase the limits of coverage by supplying additional amounts as necessary. It thus includes "difference in conditions" (DIC) and "difference in limits" (DIL) clauses.

The overall coverage amount ("all-inclusive") under this insurance programme is €20 million per year and deductibles are between €15,000 and €150,000 per loss.

2) Employer's liability insurance

The purpose of this insurance policy is to cover the reimbursement of financial losses incurred by the Company (involving insureds governed by laws relating to workplace accidents), comprised of supplemental contributions and compensation provided for in Articles L. 452-2 and L. 452-3 of the French Social Security Code.

These financial losses are covered if they result from workplace accidents having occurred or occupational diseases having manifested and been declared during the policy's validity period.

The overall coverage amount ("all-inclusive") under this insurance programme is €7,622,450 per insurance year and the deductible is €15,000 per loss.

3) Directors' and officers' liability insurance

The Group's senior executives are covered by a specific liability insurance policy, taken out by Sopra Group S.A., whose purpose is mainly to provide protection for company officers against the financial consequences of claims brought against them that may be attributed to any act of professional negligence committed during their term in office and to cover civil and criminal legal defence costs.

4) Property damage and computer all risks insurance

The Group is covered by a property damage / business interruption insurance policy whose purpose is protect the assets (sites, equipment, workstations, etc.) of Axway's various entities against the risk of loss or damage resulting, for example, from fire or natural catastrophes as well as business interruption losses incurred by the Group.

Under the abovementioned insurance policy, the Group enjoys property damage and business interruption coverage up to a cumulative total of €5,000,000 per claim.

5) Assistance

On behalf of those of its employees, company officers, senior executives and directors who are often required to travel in the course of their work, the Group has taken out an insurance policy offering coverage in the event of death, accident or illness occurring during work-related travel.

6) Claim history under the Group's policies and insurance programmes

In the last three years, no major claim has been reported by any of the Group's entities under the policies described above (or others covering the Group in the past).

Subject to the indications included in this section, as a general rule the Group's claim history is very low, which has meant that it has been able to benefit from relatively low premiums and favourable conditions for coverage.

5. INFORMATION ABOUT THE ISSUER

5.1 Background and development of the Group

5.1.1 Company name

The name of the Company is Axway Software.

5.1.2 Trade register

The Company is listed in the Annecy Trade Register under number 433 977 980.

5.1.3 Date of incorporation and term of the Company

The Company was incorporated on 28 December 2000 for a term of 99 years, which expires on 28 December 2099, unless the Company is dissolved early or its term is extended.

5.1.4 Registered office, legal form and applicable law

The Company's registered office is located at PAE Les Glaisins, 3 rue du Pré Faucon, F-74940 Annecy-le-Vieux. The telephone number for the registered office is: +33 (0)4 50 33 30 30.

The Company is a French *société anonyme*, governed by a Board of Directors and regulated in particular by the provisions of Book II of the French Code of Commerce. The Company is not required to obtain any prior authorisation in order to transact its business.

5.1.5 Milestones in the development of the Group's business activities

Key dates	Event
January 2001	Conversion of Sopra Group's infrastructure software business into a subsidiary named Axway
April 2002	Acquisition of Viewlocity (Sweden)
January 2006	Acquisition of Cyclone Commerce (United States)
February 2007	Acquisition of Atos Origin's B2B software business (Germany)
September 2008	Acquisition of Tumbleweed Communications (United States)

5.1.5.1 2001-2005: Founding period

In January 2001, Sopra Group S.A. carried out an internal restructuring plan, converting its infrastructure software division into a subsidiary, whose products included the Règles du Jeu software package and the file transfer monitoring tools CFT and InterPel). Application software packages (for banking, real estate and human resources) were retained within Sopra Group S.A. The distinction between application software and infrastructure software corresponds to an approach still being used by the major technology industry analysts.

Industry trends and strategic requirements encouraged this restructuring plan and were reflected in the key priorities set by Axway for its first five years, which were to:

- become a leading software vendor;
- establish a lasting presence in Europe (outside France) and attain a substantial position in this market.

European deployment

The total number of Axway clients doubled between 2001 and 2005 (from 3,100 to 6,000). The acquisition of **Viewlocity** in 2002 considerably broadened the international spread of the client base, with a large number of additional clients from Scandinavia and Germany, but also the United States and even Asia.

By the end of 2005, thanks to this acquisition, Axway had firmly established a direct presence in Great Britain, Belgium, the Netherlands, Germany, Italy, Spain, Sweden and Norway.

5.1.5.2 2006-2009: North American ambitions

Axway's regional revenue breakdown in 2005 (4% in the US and 61% in France) was not aligned with the significance of these regions within the global marketplace (Americas: 55%, Europe: 35%, Asia-Pacific: 10%. Source: Company estimates). The second phase of Axway's development would therefore address this imbalance, the aim being:

- to greatly expand Axway's presence and business activities in the United States;
- to achieve a leadership position in the B2B electronic exchange market, now accessible to Axway thanks to its Synchrony™ solution.

The acquisition of **Cyclone Commerce** provided a fitting catalyst in 2006. Axway's executive management team moved to the United States and English became the Group's working language. In 2007, the acquisition of **Atos Origin's B2B software business in Germany** provided the opportunity to further solidify Axway's presence in this country. In 2008, the acquisition of **Tumbleweed** consolidated Axway's position in the North American market, giving it the "green card" it needed in order to be accepted by the region's major clients.

North American presence

The acquisitions of Cyclone Commerce and Tumbleweed raised the contribution of the United States to Axway's global revenue from 4% in 2005 to 30% in 2009. This development in the proportion of revenue generated by Axway in North America was in keeping with the target that had been set. However, there is still room for expansion if one compares the percentage of revenue generated by Axway in this region in 2010 (34%) with this continent's share of the global infrastructure software market: 55%. Source: Company estimates.

The acquisitions of Cyclone Commerce and Tumbleweed not only significantly increased revenue but also expanded Axway's client base (+300 clients with Cyclone Commerce and +2,200 with Tumbleweed) as well as its operations in the United States (Phoenix, San Francisco, Washington DC and several other branch offices), added staff to its workforce, who provided the benefit of their know-how and experience, gave rise to partnerships, while also broadening the use of the mid-market approach and specific distribution modes (e.g. appliance offers). With these acquisitions, Axway secured significant footholds in certain sectors in the United States (the banking sector, the main supply chain segments of manufacturing, retail and logistics, and federal government agencies, particularly the Department of the Defense and the Internal Revenue Service).

And yet, another rebalancing challenge still lay ahead, regarding Axway's business in Europe (outside France), which continued to be under-represented in its revenue in view of its share of the market, that is, more than 26%. The acquisition of Atos Origin's B2B software business in Germany was a move consistent with this perspective.

5.1.5.3 2010: Completion of Axway's transition to functional autonomy from Sopra Group S.A.

Having already enjoyed considerable autonomy from the standpoint of its operations for several years, in 2010 Axway put in place the essential functions and committed its own resources in order to ensure its development independently of Sopra Group S.A.

- In terms of operational governance, the coordination and control of Axway's business is now under the supervision of specialised committees (Executive Committee, Distribution Monitoring Committee, Development Monitoring Committee, Functional Oversight Committee);
- Axway has its own Human Resources Department, responsible for recruitment as well as the professional advancement and training of the Group's 1,600 staff members. A core competency reference guide suited to the operations of a software developer facilitates career development actions on behalf of staff members;
- The Finance and Administration Department acquired additional responsibilities in 2010 and now covers all areas relating to this function (accounting, consolidation, management control);
- The responsibilities of the support functions have been further structured and tested in the Company's real world environment (Legal Department and Quality Assurance, Internal IT Resources and Systems Department);
- Axway is in the process of gaining complete autonomy in relation to its network infrastructure (due to be finalised by year-end 2011) and internal applications (operating environments are already separate from those of Sopra Group S.A.). Service level agreements will be concluded with Sopra Group S.A. in relation to certain support functions for the duration of the transitional period and will be invoiced on the basis of actual costs (see Section 20.3.1 xi);
- Axway has also taken out its own insurance policies, separate from those taken out by Sopra Group S.A.;
- Axway will enjoy complete financial autonomy with regard to Sopra Group S.A. upon the completion of the proposed capital increase (see Section 10.3).

5.2 Investments

5.2.1 Investment policy

The software development sector does not require significant investments. Axway makes frequent investments in computer equipment as well as office furniture and furnishings (see Section 10.2.2).

In addition, the Group's research and development costs are recognised as operating expenses and not as investments (see Section 9.5.3 and Chapter 11).

Consequently, the major portion of Axway's investments relates to acquisitions of companies or stakes in companies and the acquisition of intangible assets, with a view to acquiring new client portfolios, new software components and to provide a geographic presence or reinforce an existing geographic presence.

5.2.2 Main investments made by the Company in the last three financial years

The main investments made in the last three financial years involve acquisitions carried out by Axway. As indicated in Section 5.1.5, the companies or businesses acquired were:

- Atos Origin's B2B software business in Germany in 2007;
- Tumbleweed Communications in 2008 (see Section 10.2.2).

A description of the main investments made by Axway over the last three years is included in Section 10.2.2 "Net cash from (used in) investing activities".

5.2.3 Main investments by the Company currently in progress

At the date of this Prospectus, there are no exceptional investments in progress, apart from routine efforts pursued by the Research & Development team as part of software development.

5.2.4 Main investments planned by the Company or for which firm commitments have been given by its executive bodies

At the date of this Prospectus, there are no specific investments (apart from the routine efforts of the Research and Development team, see Chapter 11) either planned by Axway or for which it has given firm commitments.

6. BUSINESS OVERVIEW

6.1 General information

Axway mainly operates as a developer of software solutions to help companies and organisations implement business interaction networks. With revenue of €208 million in 2010, more than 1,600 employees, a prominent presence in France, a solid footing in the United States and in Europe, Axway's solutions are in use by over 11,000 clients in more than 100 countries, making the Group a major player in the enterprise data exchange market.

The software industry is home to a wide variety of suppliers and allows players many options for market positions. In the opinion of major technology industry analysts, this market is divided into two segments: infrastructure software, where Axway is active, and application software, corresponding to a portion of Sopra's business.

Within the infrastructure software market, Axway's core business is in the business interaction network management software market. Axway therefore focuses on responding to the ever-increasing need for software solutions to facilitate and enhance the security of the many electronic data exchanges at work between companies and organisations and all partners in their business ecosystems.

In an extremely dense competitive environment, Axway firmly believes that it is one of very few market players able to provide coverage of all business interaction requirements, regardless of the type of electronic media used (e-mails, files, messages, Web services, events, processes) and whatever their deployment methods (on-premise, via software installed within local information systems, or on-demand, as a service hosted centrally and accessed as needed).

Axway is thus present in four sub-segments of the middleware market: (i) managed file transfer (MFT), which involves the optimised and secure delivery of large files, (ii) B2B connectivity between a company or organisation and its partners, (iii) systemic application integration and (iv) secure gateways, with a particularly prominent presence in MFT and B2B connectivity.

Axway's offering in this market is built around its interaction management software platform, called Synchrony™, which includes all the necessary components for the implementation and operation of powerful enterprise data exchange networks of all types. With Synchrony™, companies and organisations gain access to a unified server covering all interaction modes, while Axway also provides specific solutions in the form of software products tailored to the requirements of each data exchange method. Apart from this portfolio of software solutions, Axway's offering includes professional services, running the gamut from assistance with implementation to managed services, whereby Axway personnel take charge of operations making use of Synchrony™ or any of its components on behalf of the client.

Axway's solutions are mainly targeted towards large companies and organisations, in all industry sectors, serving their entire ecosystem of business interactions. The Company therefore enjoys a significant presence in sectors relying to a great extent on business interaction networks: financial services, supply chain (including discrete and process manufacturing, transport and logistics, and distribution) as well as the public sector. This positioning has prompted Axway to adopt a client-oriented approach by industry sector, offering specialised patterns of use for the Synchrony™ platform for each segment. This verticalisation of offerings taking as its main focus large companies and organisations, by their very nature already attuned to the issues raised by interactions in heterogeneous and complex environments, has also led Axway to develop a network of local branch offices on three continents. In order to accompany its major North American and European clients in their infrastructure deployment projects, Axway has established directly operated sites in Asia.

Axway operates mainly as a developer of software and as a provider of services to build and maintain business interaction networks for its clients. Software development generates revenue from licence sales and maintenance as well as revenue from services relating to these software products, which may be deployed on the client's site (known as on-premise deployment) or rely instead on a "cloud computing" environment accessed over the Internet for application delivery on demand or following the Software-as-a-Service (SaaS) model. Maintenance activities, together with a portion of the services business (multi-year agreements), guarantee significant recurring revenue. In the area of services, fixed-price contracts may be concluded, but represented less than 5% of Axway's revenue in 2010. In addition, the nature of Axway's offering, which involves both a unified platform and specialised components, encourages the use of cross-selling or up-selling techniques on the basis of existing installations, thereby reinforcing the performance of sales activities.

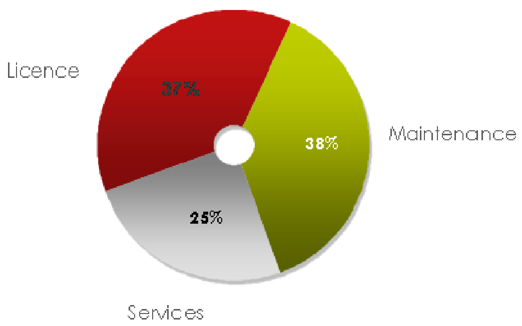
Furthermore, Axway has demonstrated its ability to successfully integrate acquisitions, through each of the four transactions of this kind completed since its creation. Clients of Viewlocity, Cyclone Commerce, Tumbleweed and of Atos Origin's German B2B software business have thus joined Axway's client base and have very quickly taken advantage of the complementary modules and add-on solutions made immediately available by the nature of Axway's offering. Axway's ability to fully take advantage of the installed client base of newly acquired companies, integrating their solutions and building loyalty among their staff members serves to guarantee the future success of any acquisitions that Axway might be likely to pursue.

Similarly, the Group's business model, balanced between revenue generated by licences, maintenance and services, guarantees a clear competitive edge, strengthening its resilience in the current economic climate. In 2009, a very challenging year for the software industry as a whole, Axway managed to protect its margins (10.2% of EBIT) owing to this mix of revenue streams and well-balanced performance across all geographies.

Axway's key growth indicators in recent years are as follows:

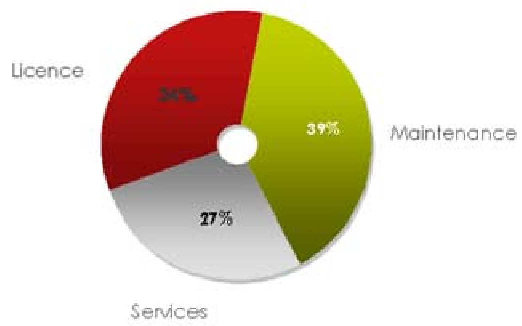
Analysis by type of business

(2010 revenue: €208.4 million)



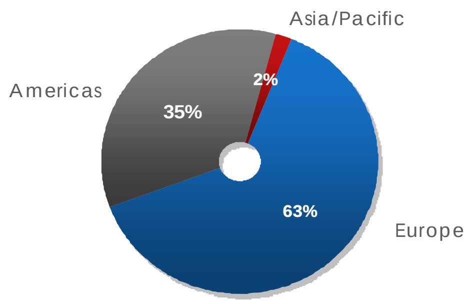
Analysis by type of business

(2009 revenue: €182.2 million)



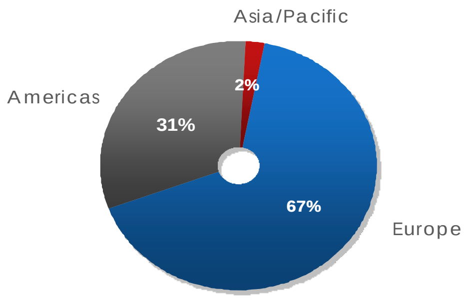
Analysis by geographic area

2010 revenue: €208.4 million



Analysis by geographic area

2009 revenue: €182.2 million



6.2 Group strategy

Today, Axway is proud to be recognised by technology analysts and major clients as a worldwide player in the business interaction network management software market. By virtue of its strategic market position, Axway is able to avoid direct competition with major software industry players not strategically oriented to serve this market. Now that it has reached critical mass, the Group intends to build on its successes with its existing client base of more than 11,000 companies and organisations to further its growth. To this end, Axway plans to:

- Continue to apply its comprehensive approach to its clients, favouring a vertical solution strategy by industry sector;
- Focus marketing efforts on major client accounts as the preferred target for its comprehensive offering, extending the client portfolio to include the partners of these major clients within their ecosystems;
- Adjust the product mix (currently predominant in MFT and B2B connectivity), by developing the proportion of revenue generated by systemic application integration technologies and secure gateways for e-mail;
- Propose hybrid offerings, combining installed on-premise components with components in the cloud. This implies building further on efforts to date in the area of research and development to integrate innovation as an essential element in the market for new technologies;
- Intensify the geographic re-balancing efforts already under way to fully leverage the trends at work in each region;
- Pursue a targeted acquisition strategy to maintain organic growth momentum. In this context, the priority markets are the United States, the United Kingdom and the most dynamic European countries. However, Axway will make the most of any opportunities that arise involving technologies closely related to those used in its own products or the possibility of acquiring a substantial client portfolio, even if these accounts are based outside these geographic areas;
- Build on efforts to streamline internal processes by furthering the implementation of a developer/distributor model. This model is founded on the establishment of a worldwide development business unit charged with the industrialisation of production processes for the Synchrony™ platform and support services, together with a distribution business unit bringing together all sales, marketing and related service functions with the aim of providing solutions to clients by offering value-driven proposals subsequently tailored to local requirements when necessary;
- Supplement direct distribution through a focus on partnerships mainly targeting the markets where Axway lacks presence and more specifically the emerging markets;
- Instil a strategic commitment to employee excellence through robust recruitment efforts (200 new hires per year), training, loyalty building and the identification of high-potential talent.

6.3 Business sector

6.3.1 Issues and challenges of business interaction networks

Apart from excellence in their core activities, the performance of companies and organisations is increasingly dependent upon the ease with which they integrate with the business networks of their ecosystem. These networks are constantly changing (hence Axway's shared vision: "*Business. In motion.*"). The ability of any company or organisation to quickly adjust its interactions in its business networks provides a competitive advantage.

Business networks are structured around domains (production, factories, suppliers, distributors, management and administration, financial services, human resources, regulators, business process outsourcing service providers, IT service providers, etc.); these are often legal entities in their own right and often have their own form of governance. This model has been referred to as the "extended enterprise" or the "network enterprise". Interactions between these domains or entities are governed by the exchange of business documents (orders, shipment notices, invoices, payments, regulatory reports, contracts, design descriptions, images, etc.). Enterprise performance is directly affected by the efficiency and effectiveness of these exchanges: a file that is missing, late or incorrect can have a direct impact on stock replenishment, payment settlement, accounting book closure, etc., which is immediately reflected in revenue, profitability or cash flow.

Not only are these exchanges increasing by leaps and bounds, but they are also becoming “digitised” or “dematerialised” to an ever greater extent (to mention just two examples, digital invoices and payroll sheets). The information systems used by companies and organisations need to be equipped with software that can withstand the increasing proliferation of electronic data exchanges, along with the associated challenges of volume and security. **Axway is positioned in this market, providing enterprise data exchange solutions for business interaction networks.**

The convergence of technologies observed in the domestic sphere (the phenomenon of box connectivity has taken the market by storm) is now prevalent in the business universe as well. The information systems of companies and organisations have been built on applications, most of which originally called for the use of their own connectivity (cash management applications, the management of payment methods, accounts payable modules of ERP products, EDI, etc.).

As networks have developed, applications have become increasingly connected and businesses have quickly found themselves with communication “silos” between internal applications or between internal users and external partners.

Technological innovation has made it possible to converge these interactions so that they may be handled by middleware products, independent of the applications themselves, which manage the more complex interactions, whether internal or external, on behalf of these applications. The achievement of this convergence allows the company or organisation to develop further because it facilitates its openness to its ecosystem and enables new interactions within its business networks, making it easier to work with a new distributor, a new supplier, etc.

Demand for middleware products is driven by increasing globalisation, which has prompted large companies and multinational corporations to invest heavily in infrastructure software.

Thanks to its assets and the depth of its technological skills in terms of connectivity, acquired over the years, **Axway is particularly well positioned in its market to carry out the innovative convergence of all kinds of interactions.**

Very few of today’s software market players can cover the diversity of interaction types found in business networks:

- between people (human interactions), between applications or computers (automated interactions), between people and systems (interactive interactions);
- structured in planned processes or through unplanned or minimally planned or unstructured or minimally structured ad-hoc collaboration;
- within a single business line or across the enterprise, between business lines or across multiple enterprises;
- end to end, from and through to the end point, which may be a person, an application or a computer, whether internal or external (often called “the last mile”).

Axway’s solutions serve this convergence, which provides numerous opportunities for value creation:

- such an approach naturally engenders a collaborative enterprise, one which it is “easy” to “do business” with. The company or organisation can easily join an existing network (for example, a manufacturer of consumer goods who needs to integrate with the network used by its distributors). It also becomes easier for partners to join its own network (for example, a bank that facilitates the acquisition of payment flows from its corporate clients). In other words, it increases the reach of the company or organisation’s business network and does not exclude any member from its ecosystem;
- by consolidating all of its interactions within the same interaction server, the company or organisation can better monitor its business interaction networks. This consolidation enables it to give better visibility to its business lines and offers better control of all of their interactions with their ecosystem. The impact on operational performance and risk management is immediate;
- consolidating interactions also reduces the cost of existing communication “silos”. Any company or organisation lacking this centralised management of interactions can only have partial and fragmented visibility into business transactions, faces a long and costly process each time it adds new partners to its network, and must deploy its business or security rules or policies to numerous and heterogeneous systems, to name only a few shortcomings.

In brief, Axway helps companies and organisation, as actors in a constantly changing ecosystem, to implement powerful business interaction networks by providing universal enterprise data exchange solutions that may be deployed anywhere. Axway’s software packages enable the exchange and integration of all types of data, both across the enterprise and with trading partners, whether between applications or people.

With Axway, business interaction networks are more dynamic, more extensive, more sustainable and more cost-effective.

Since its creation in 2001, business interactions have been the focus of Axway’s expertise and reputation. Today, the Group is one of very few market players able to provide coverage of all types of business interactions and is uniquely positioned to ensure their convergence.

6.3.2 Market for business interaction networks

Axway is positionned in the software market as a provider of enterprise data exchange solutions for the business interaction networks used by companies and organisations. This unique position results from the convergence of existing and emerging practices. By promoting the convergence of business interactions, and by honing its expertise precisely to serve this convergence, Axway has staked out an innovative, unique and differentiated position in this market, through the offer of universal enterprise data exchange solutions.

The software market is divided into two main families: application software (valued in 2010 by major technology industry analysts at nearly $89 billion) and infrastructure software (valued in 2010 by major technology industry analysts at $147 billion). Axway's offering falls into this second category.

Among infrastructure software (which encompasses database software, operating systems, data storage management, etc.), Axway is positioned in the middleware segment, valued at about $15 billion in 2010 (as reported by Axway based on indications provided by major technology industry analysts), and particularly in the data exchange sub-segment valued at about $5 billion in 2010 (as reported by Axway based on indications provided by major technology industry analysts).

Analysts maintain a fragmented approach to the data exchange sub-segment, tending to consider its components as sub-segments in their own right, although they are all intricately related. In the future, it is very likely that the analysts will bring their various sub-segments under a single umbrella, covering all data exchange solutions used in connection with business interaction networks. In application of their fragmented approach to the business interaction network market, the sub-segments surveyed at present by analysts are managed file transfer (MFT), B2B connectivity, enterprise application integration (EAI), and enterprise edge/boundary security/protection. These terms are the ones most commonly used in the industry. By consolidating these market segments and considering the portion related to business interaction networks, this market has been valued by Axway at around $4–6 billion for 2010, with yearly growth of between 5% and 10% over the period 2011–2014, also as estimated by Axway, depending on market conditions.

A significant subset of this market functions as a corollary to the application software market and is the direct result of the deployment of communicating applications. While the market for communicating applications has been valued at around $50 billion in 2010 (as reported by Axway based on indications provided by major technology industry analysts), thus about half the value of the application software market, the market for interactions between these communicating applications, both B2B and within the enterprise, is considered by Axway to account for around 10% of the total, thus about $5 billion in 2010, but its growth is directly contingent upon that of the originating market. The multiplication of deployment methods (on premise, on demand/SaaS) further increases this potential. This is a market that aptly complements the business interaction network management software market.

The markets where Axway operates are those related to the development of business community networks. These markets are rapidly growing because new community networks are being created, spurred by the phenomenal rise of new social, professional and socio-professional networks, and also because a number of community networks are replacing or represent a new concept for existing value-added networks (VANs). The market for traditional VANs was valued at about $1 billion in 2007, but later saw negative growth, reaching $770 million in 2010 (as reported by Axway based on indications provided by major technology industry analysts). It is gradually being replaced by the market for providers of services in the cloud, and in particular those using a Software-as-a-Service (SaaS) model, whose share of this segment has grown by more than 20% on average each year (as reported by Axway based on indications provided by major technology industry analysts). The market for new business community networks is difficult to assess, but it is rapidly growing and is a major generator of business interactions.

In brief, Axway is positioned in the market for enterprise data exchange solutions serving the business interaction networks of companies and organisations. Axway values this market at about $5 billion per year (based on indications provided by major technology industry analysts), with foreseeable average annual growth of between 5% and 10% between now and 2014, depending on market conditions.

6.3.3 Trends

The market is changing rapidly – hence "*Business. In motion.*" – and the trends observed are extremely favourable to Axway and its core business: business interaction networks.

Networks (in the "community" sense of the term) permeate organisations, where the need for collaboration of all kinds – automatic, interactive and human – is rapidly growing. The scope of automation and computerisation is extending, with the result that an ever-increasing amount of data and data exchange is being digitized or going paperless. An equivalent of "Moore's law" (which applies to microprocessors) can be observed for data exchanges (in relation to both the size and number of exchanges): they double every 18 months.

A combination of various developments has given birth to "cloud computing", further strengthening growth in "networks" and the required interaction between all the "nodes" in those networks: outsourcing (whether of IT or of specific functions), virtualisation of operating environments and service-oriented architecture. Economic models are evolving towards multi-party capability: transactions are no longer bilateral but now take place between several parties, developed in particular using economic models based on advertising revenue.

Every "object" can communicate, and is perpetually interacting with other "objects" in the network: this is referred to as the "object internet". Mobile payments and intelligent counters are typical manifestations of this type of deployment. Intelligence is thus increasingly distributed across the different points in a network.

These trends are also contributing to sustainable development, in particular by removing paper and fostering the creation of information processing centres that consume less energy thanks to the concentration made possible by virtualisation.

As a supplier of data exchange systems for interaction networks, Axway is at the heart of these new market requirements and uses. Its aim is to build the equivalent of an "internet of interaction" by rolling out exchange systems to every point in every kind of interaction network.

6.4 Target customers and markets

6.4.1 Vertical markets and business networks

Although Axway targets all market sectors, its marketing approach to certain sectors is more specialised: financial services, supply chain (including consumer goods manufacturing, transport and logistics, and distribution), healthcare (from the pharmaceutical industry and life sciences to healthcare institutions and associated mutual insurers) and the public sector (covering central and federal authorities as well as local government). This marketing approach consists of converting these sectors' needs into software product requirements, contextualising product usage within these business sectors and training distributors in the sale of functional solutions dedicated to these sectors.

Marketing is thus based on typical cases of product use which are common to and can be reproduced across multiple companies within a given sector or for the members of a given sectoral business network.

- Financial services are creating interaction networks
  - for straight-through processing (STP) of payment remittances (by companies, banks, clearing platforms, etc.) or to consolidate payment flows irrespective of channel or payment type, in an environment which is undergoing some profound changes (such as SEPA, the Single Euro Payment Area) and is constrained by increasingly strict regulatory requirements (transparency, auditability, compliance, risk management, etc.),
  - in the context of separating production from distribution activities and vice versa (e.g. a bank distributing insurance policies or a loan factory managing products distributed by more than one banking network);

- In the "supply chain" sector
  - the distribution sector is creating interaction networks to collect sales and stock reports from retailers and circulate information on products, special offers, stocks, etc.
  - both manufacturers and distributors are creating interaction networks to automate the sales value chain (order, delivery, billing and payment) and for every exchange that forms part of a key process in that value chain ("order-to-cash", "procure-to-pay", etc.); once processes are automated, these interaction networks can facilitate further collaboration within ecosystems, for example through demand-supply synchronisation, collaborative stock management ("vendor management inventory" or VMI; collaborative planning, forecasting and replenishment or CPFR; etc.) and real-time financial visibility of contractual commitments between manufacturers and distributors;

- In the healthcare sector
  - organisations involved in administering and managing care (healthcare institutions, hospitals, medical insurers and mutual health insurers, etc.) are creating interaction networks to manage shared medical records, reimbursement of healthcare expenditure, etc.
  - the pharmaceutical industry (manufacturers, laboratories, retailers, distributors, dispensing chemists, etc.) is creating interaction networks to manage clinical trials and track drugs in the supply chain (e.g. to fight counterfeit products and associated trafficking and protect patients and brands);

- The public sector is creating interaction networks
  - as part of "single window" projects aimed at centralising administrative processes involving multiple administrations and service suppliers,
  - by going paperless in relation to documents exchanged between local and central authorities, central ministries and public accounts departments, and in unemployment insurance, working with companies, the social security system, national agencies managing benefit payments, etc.

The above overview is not intended to be exhaustive; rather, it aims to illustrate a few typical cases where business interaction networks are being rolled out in business sectors in which Axway has a significant presence and expertise.

6.4.2 Geographical markets and key access channels

Axway has customers all over the world: in the United States and Europe, with a predominant presence in France. Axway supports customers in the Asia-Pacific region with their infrastructure rollout projects through a limited direct presence. Axway mainly accesses these markets through a direct approach, with its own presence and on-the-ground capability. In “emerging” markets, Axway currently operates through third party distributors.

Depending on the region and sector, the business interaction networks rolled out by Axway have been used for some purposes more than others: this is a result of Axway’s history and successive acquisitions. This situation means that Axway has significant potential to grow business within its installed customer base through cross-selling additional modules and functions, thus providing existing customers with further added value in rationalising their infrastructure and suppliers.

6.5 Competitive position

Axway occupies a favourable, differentiated position in the business interaction network exchange systems market. This differentiation arises from the vision historically handed down to the Company. Axway is one of the few players in the market that has the necessary assets to achieve convergence in business interactions. Axway also stands out for its ability to deliver individualised global commitment: global capacity in the service of personalised local commitments.

Axway is already a market leader in its core business in the MFT and B2B segments, recognised by leading analysts.

6.5.1 Competitive landscape

Operators in the business interaction networks market may be any of the following:

- global players in the IT sector (Microsoft, IBM, Oracle and SAP) covering a very broad spectrum ranging from computers and operating systems to services of all kinds, and including software (with some players focusing more on infrastructure software, some more on software applications and others on both); all of them primarily target the business market, with the exception of Microsoft, a significant proportion of whose business is in the personal market;
- specialised infrastructure software vendors (“pure players”) like Axway, which specialise more specifically in certain fields:
  - some focus more on developing applications by combining processes or services: their offerings are more focused on business process management (BPM) and application integration through orchestrating services (enterprise service bus or ESB); their services sometimes extend to managed file transfer (MFT) and inter-company (B2B) exchanges, mainly through partnerships or acquisitions; the two main players of this type are Tibco and Software AG; they are therefore direct competitors of Axway in the MFT and B2B segments;
- start-ups or niche players taking advantage of the dynamic technological development that has appeared since the emergence of the internet and cloud computing; in fact, most of these have been taken over by players in the other three categories (e.g. CastIron acquired by IBM and Boomi by Dell in 2010);
- suppliers of outsourced services arising from “value-added networks” (VANs), suppliers of outsourced software services (cloud services, SaaS and ASP services) and business process outsourcing (BPO) and IT outsourcing suppliers; examples of players in this field are GXS/Inovis and Crossgate.

This market is currently undergoing significant consolidation, with some recent examples of mergers and acquisitions:

- within a single category, for example between suppliers of outsourced services (e.g. GXS/Inovis in 2009) or between niche players (e.g. Tibco/Proginet in 2010);
- between different categories: for example, global IT providers and specialised infrastructure software vendors (e.g. IBM/Sterling Commerce in 2010).

Axway has also contributed to consolidation in this market (in this connection, see the history of Axway in Section 5.1.5).

6.5.2 Differentiation of Axway’s offering

Axway achieves market differentiation through a number of critical success factors:

1) Universal exchange systems

These can be rolled out to every interaction point, providing unlimited coverage of business interaction networks.

Axway is one of the few players on the market to offer virtually every form of business interaction, whether automated, human or interactive; in-house or outside the company; formal – i.e. structured into processes – or informal – i.e. ad hoc collaborative; rolled out within existing IT systems or outsourced to service operators.

By supporting as many computers and operating environments, rollout methods, protocols, formats, application formats and connectors, and forms of business interaction as possible, Axway has achieved very wide coverage of networks linked by its exchange systems. Axway's solutions ensure that no member of a network need be left out and reach every application, person and computer – in short, every partner in a business network, down to the "last mile" (to borrow an expression from logistics).

Axway promotes the convergence of interactions, in particular through pooling and unifying the management of interactions. Irrespective of how interactions are used, the user experience is the same as regards operating conditions, supervision of exchanges, activation of management processes, and management of partner communities, policies and associated management and security rules.

Axway also aims to promote independence from suppliers of operating environments and applications, thus maximising its customers' freedom and control over the development of their exchange systems.

2) Individualised global commitment

A commitment to the customer to deliver a high-performance exchange system in full working order.

Axway gives its customers the opportunity to combine offerings, products and services, together with their respective rollout and delivery methods and associated economic models, and is committed to providing a value proposition that is both global and individualised.

This commitment may also include service quality components in relation to the exchange system (volumes, performance and scalability, resilience and service continuity) and project success factors (delivery within agreed budgets and timescales). In this way, Axway is able to roll out exchange systems that meet high and even extreme demands, making it a critical strategic partner for a large number of business networks. Axway is committed to providing its customers with exchange systems in full working order.

Axway tailors its exchange systems to the target IT and business environments. This means that all or part of its exchange systems can be rolled out in line with customer needs and existing resources ("start anywhere, use anything"). Axway therefore has a wealth of experience in working with its customers to create joint solutions, thus ensuring that its products are appropriate for the market and speeding up their adoption.

6.6 Offering

6.6.1 Overall offering

Axway's offering consists of various forms of software products and different types of business services, together with their various delivery methods, for implementing high-performance business interaction networks. One of Axway's differentiating features is the flexibility it offers its customers by enabling them to combine the software products and associated services best suited to their needs.

Software products

Axway supplies universal exchange systems for business interaction networks operated by businesses in motion. Exchange systems are a subsegment of the middleware software market (as opposed to application-type software).

An exchange system consists of interaction engines, which vary according to interaction type, and the functions used to manage them. Up to now, each interaction engine, depending on its type, has offered its own management capability; Axway, on the other hand, pools and unifies the functions used to manage its various interaction engines. This pooling has already gone some way towards delivering convergence of interactions, and ensures improved performance.

Four functions are vital when building and maintaining business interaction networks for customers: **data file transfers, inter-company transactions, application integration and secure exchange**. For example, a consumer goods manufacturer has to accept purchase orders (file transfer) from its distributors in accordance with the protocols they offer (inter-company exchanges) and in complete security (secure exchange), and incorporate the data from those purchase orders into its management application (application integration). These are the four functional pillars of Axway's exchange systems. They are the four basic interaction engines detailed below.

The interaction management functions that Axway pools and unifies across its entire range relate to operational management (from both an IT and a functional perspective), supervision of the data exchanges that make up business interactions, activation of processes for managing those interactions and management of partner communities involved in those interactions, in accordance with associated corporate policy and management and security rules. With Axway's exchange system, a given management or security policy or rule is applied in a uniform way, whether in-house or externally, between applications or between individuals; networks of partners involved in interactions are formed in a similar way, whether those partners be in-house or external, and whether they be companies, systems or individuals; whatever the data, the exchange system provides the same degree of end-to-end visibility of data flows.

Managed File Transfer (MFT)

MFT is used to guarantee agreed service levels in respect of transporting data between applications or users, whether inside or outside the company. Most data is transported in files, which still represent by far the most common method for transporting management data (80% of inter-company exchanges, according to Axway estimates). This data transported in files is considered sensitive or critical for the business: the company's performance is directly dependent on the performance of file delivery systems.

Axway's exchange system covers all uses of file transfer: automated transfers between applications, sites or companies; interactive transfers via portals (downloads); and transfers between individuals. Through its advanced management functions, the system ensures that files are transferred with the optimum level of service, contractual compliance and confidence.

Business-to-business (B2B) gateways

B2B gateways are located between a company and the members of its business network (customers, distributors, suppliers, regulators and all the partners in its ecosystem). They are characterised by:

- support for network protocols and business document formats required by the sectoral business networks in which the company is involved: in addition to general-purpose internet protocols, each sector imposes its own exchange protocols and formats (SWIFT for financial services, Odette for the automotive sector, RosettaNet in the electronics sector, HL7 for life sciences and healthcare, etc.);
- integration with corporate applications for end-to-end delivery and fully automated processes (e.g. an incoming purchase order crosses the gateway and is delivered to the management application ready for processing).

The scope of Axway's exchange system is one of the broadest on the market:

- in functional terms, i.e. by number of protocols, formats and application connectors;
- in usage terms: extending management applications (e.g. ERP systems) to connect them to a company's business networks; integrating customers, distributors and suppliers into a company's business network; supplying a portal of interactive services to members of a company's business network; and intermediating services linking the members of a given business community ("single window").

Axway's exchange system is highly scalable (i.e. the same software can be scaled up as volumes increase and extended as functional requirements increase), ranging from one-to-one connectivity (one partner/one application) through to consolidation of more than one gateway into a platform supporting all the various uses required by a company (connecting the entire partner network to every application within the information system).

Enterprise application integration (EAI) brokers

Application integration involves reorganising interactions between applications more efficiently (sometimes referred to as "urbanizing the information system") and using dedicated software known as the "integration broker" to control these interactions. Integration brokers are complementary to and separate from the applications, which delegate their interactions with other applications to the broker. These interactions involve more than just connectivity and may include, for example, archiving, encryption, checking for duplicates, verifying file transfer sequence numbers, file syntactic or semantic verification, and file enhancement or conversion for adaptation to a different protocol or format. Interaction between applications therefore involves the entire sequence of processing tasks.

The Axway exchange system meets all of the integration requirements of business interaction networks, from process support to the most sophisticated conversion or "mapping" engines, which convert between data formats, while covering all of the more basic functions of classification, envelopment, intelligent routing, archiving, encryption, bundling/unbundling, etc.

Edge security gateways

Ensuring the security of data exchange is a booming market. Since the network of all networks, the Internet, is increasingly vital for business but offers little security, firms must protect their business networks with appropriate infrastructure components. Ensuring secure data transfer involves a complex combination of procedures and requirements that spans the authentication of sending and receiving applications or people, the management of their identities and user rights (many "digital identity" projects are currently being developed), data confidentiality and compliance with data security regulations (HIPAA, PCI, encryption mandates, etc.), non-repudiation, evidence management and related legal aspects, data integrity (i.e. ensuring that the data received is identical to that sent), electronic signature and the implementation of data loss protection or "leak prevention" policies and measures.

Axway has developed a distinctive exchange system for ensuring the security of business interaction networks. This system is composed of:

- proxy gateways installed in company networks to ensure secure data exchange via the Internet or email. These protect against intrusion and enable companies to apply their own security rules to all outgoing data;
- essential security governance components, such as the validation of data-security certificates issued by certification authorities. This validation process involves verifying that the certificate used for a given exchange is valid and grants the rights requested for the application or person. If performed manually the tasks involved can be quite cumbersome and costly, particularly when data volume requirements increase. Axway's experience with the US army and UK social security authorities over the past three years make it one of the very few in its market to provide a comprehensive and proven offering.

These four key functions of business interaction networks are grouped together and managed through a single exchange system. The same approach is therefore used for file transfer, B2B data exchange, applications integration and data security. To enable gradual deployment within the customer's information system, Axway's offering was designed to be modular and flexible. When a customer is ready to incorporate the modules required for one of these functions Axway can ensure a uniform platform and control system so that the customer will not have to deploy "silos" with independent and isolated platforms and control. This approach considerably reduces the total cost of system ownership and operation while ensuring both technical and functional scalability. This is why Axway is able to meet its customers' needs over the long term, as their business grows and their interaction requirements evolve.

Business information systems have changed considerably over the past few years, thanks to the new opportunities made possible by the "on-demand" provision of processing power, the virtualisation of operating environments and outsourcing. Moreover, it is the combination of these trends that has given birth to "Cloud computing", whereby the IT resources required to run software are transferred from a conventional "on-premises" computer and provided externally as a service on an "on-demand" basis. Axway will move increasingly toward these new forms of service provision with a "hybrid" offering that includes on-premises software deployment and/or the on-demand provision of outsourced software services, in a complementary manner that ensures maximum overall value and end-to-end control of all types of business interaction networks.

By being one of the very few in its market to offer virtually all forms of business interaction, Axway has built a distinctive position as a provider of a "universal exchange system".

- Axway provides complete, dedicated and application-independent systems for moving data. Axway's exchange systems are independent of operating environment vendors and applications, while being compatible with a large majority of these.
- Whether in an on-premises information system or up in the "Cloud", Axway's exchange systems fit into the overall IT infrastructure in a similar way to the way in which large vehicle sub-assemblies and systems are integrated into existing platforms in the automotive industry.
- Axway's exchange systems can support all types of interactions, whether automated (between systems), interactive (between people and systems) or human (between people), irrespective of the medium used (email, file, message, document, network frame, etc.), and whether or not the exchange is scheduled and structured, or is internal to the company or with its ecosystem.
- These systems can be deployed at all business network interaction points and in a variety of forms. They can, for example, be installed on premises in an information system, made available on premises via a shared services centre, hosted off-site and dedicated to a single tenant (or client), provided as software as a service to multiple tenants, or deployed by a service provider that mediates the relationship between partners.

Professional services

Several types of services accompany these software products. They are similar to those offered by most software vendors and include: maintenance and support (which are specified in the license agreement) and such services as training, on-site installation and configuration, integration in the information system, migration to new software, and consultancy in setting up business interaction networks.

Migration is a distinctive Axway service. When setting up business interaction networks migration to a new infrastructure is often necessary from a legacy system composed of numerous isolated applications based on commercially available products or developed in-house. A software provider's ability to ensure successful migration is a key success factor.

In some cases Axway will put together service "packages" or provide complementary software tools to accelerate the implementation of business interaction networks, such as its "quickstart package".

For most of its professional services, Axway proposes several service level agreements:

- for its support services, Axway offers four service levels, ranging from online support via its eSupport portal, to customized Mission Critical Support service, which offers a rapid response commitment and dedicated personnel;
- for its product deployment, installation and configuration, software implementation and maintenance, and migration services, Axway can simply make available its capable personnel or provide a project-type commitment with specific deadline and budget commitments.

Axway can provide its services in two ways:

- on an "as-needed" basis, when they are required by the customer. This is often the case, for example, with training and software installation and configuration;
- on a recurring or continuous basis. In this case services are said to be "managed services" since Axway commits personnel over a relatively long period under a service contract and assumes responsible for service provision. This is the case, for example, with "Application Management" service, operations support, the management of new releases, modifications, incidents, etc., and more rarely overall system operation.

The deployment of software products on an on-demand or "software as a service" basis necessarily involves managed services.

In short, Axway's offering consists of software products and related services. These software products are "universal exchange systems" for all business network interaction points.

These systems consist of interaction engines and their control functions. The main interaction engines are used for data file transfer, B2B data exchange, applications integration and data exchange security. The control functions cover operations, data exchange monitoring, control process activation, management of partner communities, and activation of management policies and rules and related security policies and rules. Axway's exchange systems apply these control functions to all types of interaction engines, and therefore for all types of interactions.

The professional services that accompany these infrastructure software products cover the full range of software vendor services, including: maintenance and support, training, on-site installation and configuration, implementation and integration in the information system, migration to new systems and business interaction network consultancy. With the exception of maintenance and support, these services are provided on an as-needed basis. Axway can also offer these services in a managed-services format when they lend themselves to provision on a recurring or continuous basis.

Vendor/Distributor organisation model

Axway's offering is built upon a structure encompassing both Developer and Distributor processes, implemented as follows:

- the Distribution business unit is staffed by a worldwide sales force whose deployment follows a region-based organisation (Americas, Europe and Asia-Pacific). All personnel apply an approach based on vertical markets. In each of the three regions, Axway built up centres of expertise with the aim of leveraging best practices identified in the market, assisting with software packages deployment and providing field feedback to the development teams. The Group's professional services are also provided by this business unit;
- the Developer business unit ensures the industrialisation of production processes for Synchrony™ across several development centres (Paris, Annecy, Bucharest, Sofia, Phoenix and San Francisco). Apart from the production of the technology foundation, these centres are also responsible for the packaging of the vertical solutions built on this foundation. This business unit also carries out the Group's support activities on behalf of its 11,000 clients and deploys the Group's new advanced levels of maintenance and assistance (Premier Level, Mission Critical Support).

6.6.2 Innovation

In the software sector, the solutions proposed play a critical role. Constant innovation is essential in order to stand apart from the competition on a lasting basis, to continually create more value and, sometimes, to generate demand, for example by bringing new uses to the market. To this end, Axway uses an "innovation model", whereby multi-disciplinary teams (market intelligence, office of the CTO, R&D, marketing and distribution) work together, analysing new offers based on a host of criteria (cost price, market accessibility, closeness to Axway's core competencies, etc.), providing information used in the early stages of the product life cycle (PLC) management process. Axway's R&D investments are also maintained at a substantial level, as compared with the average level of investment in its market, and Axway devotes R&D resources on a permanent basis to novel and innovative developments, some of which will complement existing offers while others will create entirely new solutions. For several years, Axway has systematically committed 15% of its revenue to R&D (see Section 9.5.3 and Chapter 11).

Axway mainly focuses its investments in:

- The convergence of interactions in business networks and the interoperability of data exchange solutions serving these interactions, with the aim of enhancing the universal applicability of Axway's platform;
- Support for all deployment methods, reflecting specific market requirements for each type of interaction: this may range from private clouds, whether internal to the enterprise (shared service centres) or external (outsourced and dedicated hosting and operations), to public clouds (outsourced and shared services);
- New features added to existing products, supporting cloud services for the control of interactions, such as the management of partner communities, the activation of policies or strategies and of related management or security rules, the control of exchanges originating in or being received by cloud infrastructures, etc.

The model for Axway's offering is thus tending towards that of an interlinked meshwork of interaction systems that would be **hybrid** in nature, combining solutions deployed on clients' premises within their information systems with solutions deployed in the cloud: together they form a cohesive fabric of **secure, flexible and reliable** business interaction networks.

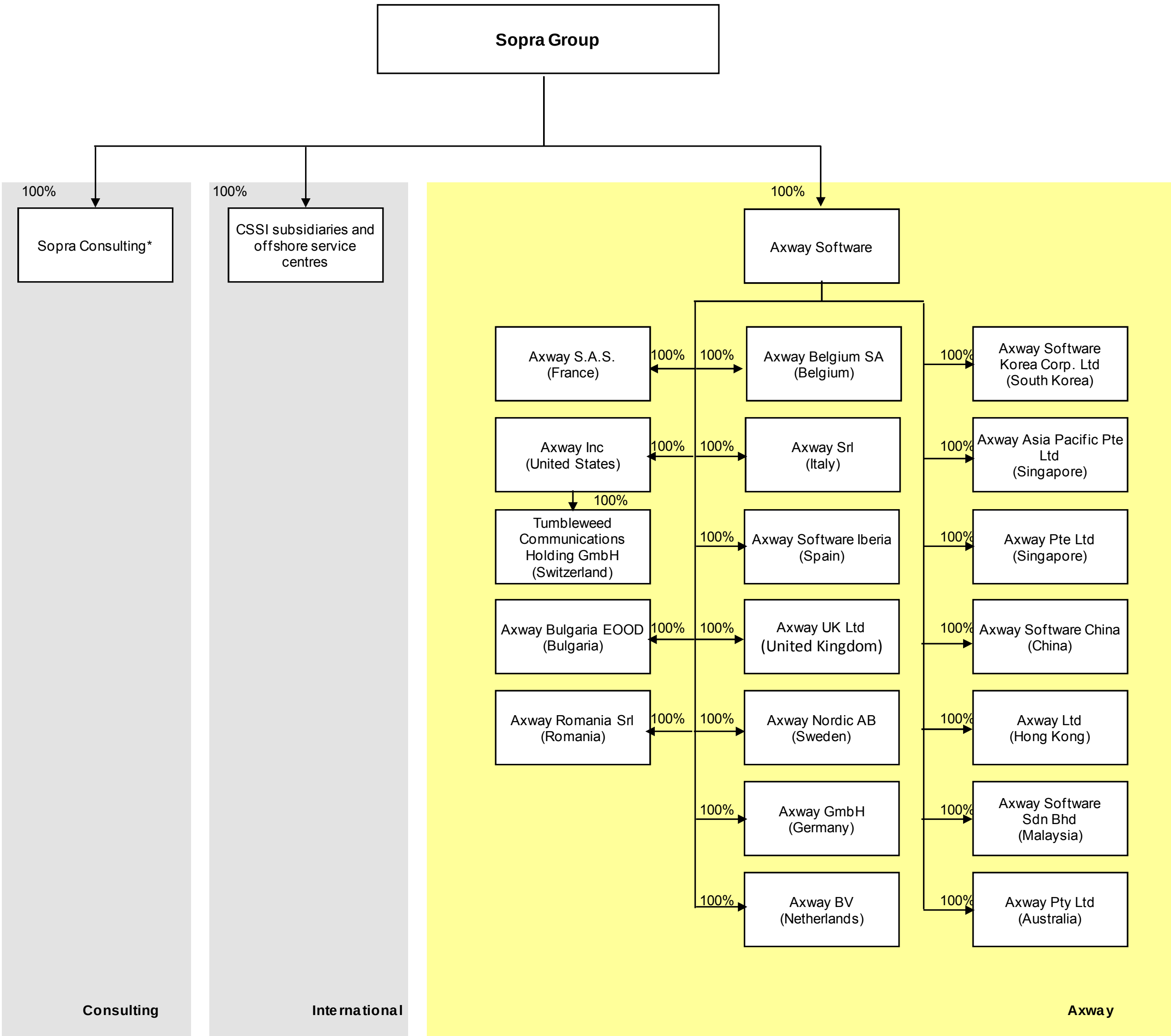
Furthermore, as a member of a number of professional associations, the Company takes part in the creation of industry and market standards. It currently pursues this role in the following positions:

- OASIS sponsor member and participant in several OASIS technical committees working on Business Process Execution Language (BPEL), Electronic Business using eXtensible Markup Language (ebXML) and Web Services (Synchrony™ is Drummond Certified™ for ebXML interoperability);
- Object Management Group (OMG) Domain Member and active participant in the development of standards such as Business Process Modeling Notation (BPMN) and Business Process Definition MetaModel (BPDM);
- Web Services Interoperability (WS-I) member and participant in the Reliable Secure Profile (RSP) workgroup;
- Participant in the Web Services Definition Language (WSDL), XML Protocol (XMLP), Web Services Choreography Description Language (WS-CDL), Web Services Policy Framework (WS-Policy) and Web Services Addressing (WS-Addressing) workgroups;
- Integrator of the Electronic Data Interchange-Internet Integration (EDIINT) standard of the Internet Engineering Task Force (IETF): Synchrony™ is Drummond Certified™ for Applicability Statements 1, 2 and 3 (AS1-AS2-AS3);
- Member of RosettaNet for the development and promotion of RosettaNet standards.

7. GROUP ORGANISATION AND SUBSIDIARY INFORMATION

7.1 Organisation chart for the Company as a sub-group of Groupe Sopra

At present, Axway's operations are integrated within Sopra Group S.A. as indicated in the organisation chart shown below:



* To merge with Sopra Group during the first half of 2011
** CSSI: Consulting and Systems and Solutions Integration

Following the Distribution, Axway's ownership interests in its subsidiaries will be unchanged, since only Axway's shareholding structure is affected by this transaction (see Section 18.1).

7.2 Subsidiary information

The table below provides detailed information on the subsidiaries of the Axway sub-group (figures shown are derived from the individual financial statements of these entities):

Parent companies and their subsidiaries	Share capital	Other share-holders' equity	% of capital held	Book value of securities		Loans and advances granted by the Company and not yet repaid	Surety and guarantees granted by the Company	Latest financial year revenue excl. VAT	Latest financial year profit or loss	Dividends received by the Company during the financial year	[redacted]
(in thousands of euros)				Gross	Net						
Axway Software											
Axway SAS (France)	37	-5	100.0%	37	37	-	-	-	-3	-	
Axway Distribution France (France)	1	-3	100.0%	2	2	1	-	-	-2	-	
Axway Holding Distribution (France)	1	-2	100.0%	2	2	1	-	-	-3	-	
Axway UK Ltd (United Kingdom)	116	495	100.0%	148	148	-	-	9,892	424	-	
Axway Nordic (Sweden)	11	1,678	100.0%	20,706	1,606	-	-	5,324	27	-	
Axway GmbH (Germany)	425	22,582	100.0%	23,038	23,038	-	-	23,367	826	--	
Axway B.V (Netherlands)	18	853	100.0%	200	200	-	-	3,733	192	--	
Axway Srl (Italy)	98	19	100.0%	98	98	-	-	4,072	-5	--	
Axway Software Iberia (Spain)	1,000	1,536	100.0%	1,000	1,000	-	-	2,549	115	--	
Axway Belgium (Belgium)	1,000	1,316	99.9%	999	999	-	-	5,418	318	-	
Axway Romania Srl (Romania)	12	2,576	100.0%	1,972	1,972	-	-	7,684	1,389	1,083	
Axway Bulgaria EOOD (Bulgaria)	3	1,090	100.0%	980	980	-	-	4,884	436	--	
Axway Inc. (United States)	-	97,855	100.0%	120,266	120,266	9,218	-	82,678	16,553	--	
Axway Asia Pacific Pte Ltd (Singapore)	-	-	100.0%	908	-	-	-	-	1,044	--	
Axway Pte Ltd (Singapore)	117	112	100.0%	-	-	709	-	2,535	212	--	
Axway Sdn Bhd (Malaysia)	61	-125	100.0%	-	-	-	-	71	27	--	
Axway Ltd (Hong Kong)	10	337	100.0%	-	-	-	-	1,189	341	--	
Axway Software China (China)	1,288	-1,097	100.0%	-	-	-	-	698	172	--	
Axway Software Koréa corporation Ltd (South Korea)	34	-273	100.0%	40	-	403	-	3	-2	--	
Axway Pty Ltd (Australia)	76	291	100.0%	-	-	-	-	983	409	--	
Axway Inc (United States)											
Tumbleweed Communications Holding GmbH (Switzerland)	16	982	100.0%	9	9	-	-	--	--	--	

8. REAL ESTATE AND EQUIPMENT

8.1 Real estate and equipment

The software publishing business requires servers, computers, networks and other IT equipment and resources and also premises for research and development staff and the Group's other functions.

The Group currently has 1,750 workstations in 27,500 sq.m of office premises worldwide. These premises are leased by means of commercial lease and other lease agreements.

The Group owns no real estate assets.

The Group has occupied premises in Annecy and Puteaux made available by Sopra Group S.A. under an agreement between Sopra Group S.A. and Axway Software (see Chapter 19) and will continue to do so after the Company's shares are listed on the NYSE Euronext regulated market in Paris.

8.2 Environmental constraints

Given the nature of its activity, the Axway group is not subject to any environmental regulations or constraints that could restrict the use of its fixed assets.

9. OPERATING AND FINANCIAL REVIEW

The following analysis and presentation must be read within the context of this Prospectus and in particular the combined financial statements for the fiscal years ended 31 December 2010, 2009 and 2008 and the Group's pro forma financial statements for the same periods, presented respectively herein in Sections 20.1 "Combined financial statements at 31 December 2010, 2009 and 2008" and Section 20.3 "Pro forma financial statements at 31 December 2010, 2009 and 2008".

9.1 Accounting standards for the combined financial statements

The financial information presented below is drawn from Axway's combined financial statements for the years ended 31 December 2008, 2009 and 2010. The combined financial statements bring together all information relating to the Axway sub-consolidation group, prepared in accordance with IFRS using the principles of consolidation accounting applied for Sopra Group S.A.

The Statutory Auditors have reported on these combined financial statements (see Section 20.2).

9.2 Pro forma financial statements

On the basis of these combined financial statements, Axway has prepared pro forma financial statements, which aim to simulate the impact of the proposed spin-off from Sopra Group S.A., as if this planned separation had entered into effect at 1 January 2008, and as if Axway had operated as a distinct and independent group that would have been listed as from that date (see Sections 9.2 and 20.3).

As the spin-off has no impact on Axway's financial statements, the pro forma financial statements are identical to the combined financial statements. Only the income statement will be presented differently in the pro forma financial statements, following the presentation used by software developers, which will be the presentation to be adopted by the Company as from the 2011 financial year.

The statutory auditor has reported on these pro forma financial statements (see Section 20.4).

Unless otherwise indicated, the figures used herein in respect of the Group's financial results are those of the pro forma financial statements.

9.3 Changes in scope

Axway made no acquisitions in 2010. The most recent acquisitions, made in 2007 and 2008, were Atos' B2B software business in Germany (in February 2007) and Tumbleweed Communication Corp. (referred to as Tumbleweed herein) in the United States (September 2008).

The acquisition of Atos's B2B software business in Germany added €14.9 million to Axway's revenue in 2007 while the Tumbleweed acquisition contributed €13.7 million over the last four months of 2008.

Given the general slowdown in business activity in 2009, particularly in the software industry, and efforts to integrate Tumbleweed, this acquisition's contribution to full-year revenue cannot be accurately assessed.

For reasons of convenience, growth at constant exchange rates and consolidation scope is referred to as "organic" throughout Chapter 9 of this Prospectus.

9.4 Comparability with Sopra Group's reported historical data

Over the previous fiscal years, Sopra Group S.A. has reported segment information concerning Axway's business performance in its Reference Document. These data (which include annual revenue, operating profit from business activity, profit from recurring operations, operating income and net profit) are exactly the same as that of the pro forma financial statements. Restatements, which only affect financial income, the tax charge and the net income/(loss), are immaterial and were not taken into account in the pro forma account restatements (see Section 20.3.1).

9.5 Comparisons between financial years 2010, 2009 and 2008 [2]

(in thousands of euros)	Financial year 2010	2010 restated for CVAE	Financial year 2009	Financial year 2008
Revenue				
Licences	77,948	77,948	61,186	61,453
Maintenance	78,578	78,578	71,487	56,190
Subtotal Licences and Maintenance	156,526	156,526	132,673	117,643
Services	51,895	51,895	49,545	53,544
Total revenue	208,421	208,421	182,218	171,187
Cost of sales				
Licences and Maintenance	22,076	22,201	19,458	14,866
Services	46,354	46,618	44,799	47,396
Total cost of sales	68,430	68,819	64,257	62,262
Gross profit	139,991	139,602	117,961	108,925
Operating expenses				
Sales and marketing	57,922	58,254	51,655	47,259
Research and development	32,662	32,875	31,175	26,124
General and administrative	18,321	18,427	16,642	15,341
Total operating expenses	108,906	109,557	99,472	88,724
Profit on operating activities	**31,085**	**30,040**	**18,489**	**20,201**
As % of revenue	*14.9%*	*14.4%*	*10.2%*	*11.8%*
Stock option related expenses	-	-	-	-
Amortisation of acquired intangible assets	(1,944)	(1,944)	(1,856)	(722)
Profit from recurring operations	**29,141**	**28,096**	**16,633**	**19,479**
As % of revenue	*14.0%*	*13.5%*	*9.1%*	*11.4%*
Other income and expenses	(3,583)	(3,583)	-	(1,168)
Operating profit	**25,558**	**24,513**	**16,633**	**18,311**
Income from cash and equivalents	-	-	1	-
Cost of gross financial debt	(2,008)	(2,008)	(1,208)	(4,417)
Cost of net financial debt	(2,008)	(2,008)	(1,207)	(4,417)
Other financial income and expense			(81)	(272)
Tax expense	3,046	4,091	(5,365)	(5,757)
Net profit	**26,596**	**26,596**	**9,980**	**7,865**

Financial year 2009, and in particular the first half of the year, was marked by the economic crisis that hit every country in which Axway does business, in the Americas, Europe and Asia/Pacific regions. Financial year 2010 saw a solid pickup in the sales of infrastructure software that was compounded in the first half of the year by projects that had been postponed in 2009. This resulted in particularly strong license sales in the first quarter of 2010.

[2] In order to measure Axway's operating performance and ensure comparability with prior years, information relating to the 2010 financial year is also presented with a restatement for the CVAE (*cotisation sur la valeur ajoutée des enterprises*, a component of the new CET (*contribution économique territorial*), the replacement for the TP (*taxe professionnelle* or local business tax) introduced by the French Finance Act for 2010) (see Note 8.3 in Section 20.1).
The CVAE has been reclassified as corporate income tax as of fiscal 2010. In prior years, the TP was classified as an operating expense.
In the rest of this section, the "2010 Restated" figures will be used to enable more accurate comparisons.

The first half of 2010 therefore saw a sharp increase in revenue (€95.2 million compared to €83.1 million in the first half of 2009) and consequently 8.6% growth of profit from recurring operations in the first half of 2010, compared to 0.1% for the first half of 2009. The market confirmed its robustness in the second half of the year (with aggregate sales up 14% year-on-year), while Axway posted 15.9% revenue growth year-on-year in the fourth quarter of 2010.

This strong operational performance is attributable to:

- Axway's solid positioning in the management file transfer (MFT) and B2B gateway markets, which enable it to take immediate advantage of the general recovery in the IT market;
- cost-cutting plans implemented in 2009 that kept costs in check in 2010 while making it possible to maintain strategic investments;
- Tumbleweed's rapid and successful integration;
- the launching of projects that had been postponed in 2009 due to the weak economic environment;
- the strong market positions acquired in the United States, where sales grew 23% in 2010;
- maintenance business, which grew 10% to account for 38% of Axway's total revenue in 2010.

9.5.1 Revenue

The overall sales trend

Revenue for fiscal 2010 totalled €208.4 million. This represents headline growth of 14.4% for the year and 11.8% growth on an organic basis.

The €182.2 million revenue posted in 2009 was 6.4% more overall than in 2008 and 7.6% less on an organic basis. Sales in 2009 declined 18% and 3% respectively in the Americas and Europe.

The €171.2 million revenue posted in 2008 was 18% more overall than in 2007 and 9.4% on an organic basis. This organic growth was driven mainly by Europe (up 7.5%) and the Americas (17%).

In the Americas, business in the United States received a particularly strong boost from the general recovery of US economy in 2010, and in particular from the robust pick-up in IT spending in the pharmaceuticals industry and its ecosystem and in the retail and government sectors.

Segment information

In its future reference documents, Axway will present its revenue figures for each segment:

- by nature — i.e. licence, maintenance and services revenue, and
- by the following geographic regions:
  - "Europe", which includes France, Germany, Sweden, the United Kingdom, the Netherlands, Belgium, Spain and Italy;
  - the "Americas", which consist mainly of North America and Brazil (indirect distribution business);
  - Asia/Pacific, which mainly includes Singapore, Hong Kong, China and Australia.

Revenue by nature

(in millions of euros)	**Financial year 2010**		**Financial year 2009**		**Financial year 2008**	
Licences	77.9	37.4%	61.2	33.6%	61.5	35.9%
Maintenance	78.6	37.7%	71.5	39.2%	56.2	32.8%
Services	51.9	24.9%	49.5	27.2%	53.5	31.3%
TOTAL REVENUE	**208.4**	**100.0%**	**182.2**	**100.0%**	**171.2**	**100.0%**

Licences

License business generated €77.9 million in revenue in 2010, representing growth of 27% for the year. These sales were most affected by the postponement of projects in 2009 and rose most sharply (50%) in the Americas region.

In 2009, License revenue was €61.2 million, which was in line with that of 2008 (€61.5 million). 2009 saw license revenue grow 25% in the Americas, thanks to the acquisition of Tumbleweed, and declined 10% in the other regions.

In 2008, License revenue rose 22% (to €61.5 million), with the strongest growth (84%) posted in the Americas, due in large part to the acquisition of Tumbleweed on 1 September 2008.

Maintenance

Maintenance business ensures a recurring stream of revenue and has made a significant contribution to Axway's growth in all countries from 2008 through 2010. In the United States, maintenance sales were given a particularly strong boost from ongoing maintenance contracts with Tumbleweed's customers.

Maintenance revenue grew 10% in 2010, to €78.6 million. In the United States, maintenance revenues have grown from €8.5 million in 2007 to €27.6 million in 2010.

Services

After a prior year performance in 2009, where revenue contracted 8%, to €49.5 million, services revenue grew a modest 4.7% in 2010 as compared to 2009, to €51.9 million. This relatively sluggish growth of Services business in 2010 may be attributed to slower licence revenue growth in 2009.

The balanced structure of Axway's revenues—with recurring Maintenance business accounting for almost 38% of sales in 2010 and Licences and Services businesses accounting for 37% and 25% respectively—enables it to benefit from the general recovery in the IT market. As a result, robust license sales directly boosted profit from recurring operations, particularly in the 1st and 4th quarters of 2010.

Revenues by region

(in thousands of euros)	Financial year 2010		Financial year 2009		Financial year 2008	
Europe	131,877	63.3%	120,875	66.3%	126,265	73.8%
Americas	72,402	34.7%	57,155	31.4%	42,166	24.6%
Asia Pacific	4,142	2.0%	4,188	2.3%	2,756	1.6%
TOTAL REVENUE	**208,421**	**100%**	**182,218**	**100%**	**171,187**	**100%**

- **Europe**: Revenue in this region rose 9% in 2010 as compared to 2009:
  - in France, the 12.1% growth was mainly driven by a 23.6% surge in licence sales. The relatively sluggish 4.7% growth of Services as compared to 2009 is consistent with the modest level of licence sales in 2009;
  - revenue in the other European countries rose 4.7% in 2010. Growth was robust in Germany and to a lesser extent in the United Kingdom. Sales contracted elsewhere in Europe, where Axway has a smaller presence. The main growth drivers in Europe ex-France were maintenance business and to a lesser extent license sales;
  - the main growth driver for Europe as a whole were license sales, which rose 16.5% overall and were particularly strong in Germany and France.
- **Americas**: The 26.7% revenue growth in this region (from €57.2 million in 2009 to €72.4 million in 2010) is partly attributable to the acquisition in 2008 of Tumbleweed, which was fully integrated in 2010. Licence sales (up 51% as compared to 2009) were by far the main growth driver in 2010. This reflects the sluggish business conditions of 2009 and the fact that many IT projects were postponed. Over the year maintenance sales rose 13% and thus outpaced the overall growth of this market, even though Tumbleweed's acquisition no longer made a positive contribution.
- **Asia-Pacific**: Rationalisation of business activities was the main focus in this region in 2010. Revenue was flat, at €4.1 million versus €4.2 million in 2009. Staff mainly concentrated their efforts on serving existing customers under service contracts, which grew 39% over the year.

9.5.2 Cost of sales and gross profit margin

Although 2010 was a year of recovery for Axway, by carefully managing costs in all business lines, and sales and marketing costs in particular, the group once again succeeded in increasing its gross profit margin, which has risen from 61.1% in 2007, to 64.7% in 2009 and 67% in 2010.

9.5.3 Sales/marketing, R&D and administrative expenses

Operating expenses totalled €109.6 million in 2010 (52.6% of revenue), versus €99.5 million (54.6%) in 2009 and €88.7 million (51.8%) in 2008.

Given the changes in consolidation scope in 2007 and 2008, Axway's operating performance is measured on the basis of costs as a percentage of revenue.

- Research and development expenses remained stable in 2010, at 15.8% of revenue versus 17% in 2009 and 15% in 2008. This reflects the completion of the developments required to integrate Tumbleweed products.
- Sales and marketing expenses totalled €58.2 million. This represents 27.9% of annual revenue, which is in line with 2009. In fiscal years 2008 and 2009, Axway consolidated but did not restructure the sales staff gained from its acquisitions in the United States and Germany.
- Administrative expenses totalled 8.8% of revenue in 2010, as in 2009 and 2008. Most of the strengthening of Axway's administrative structure that is necessary to enable Axway to operate independently has been completed.

9.5.4 Operating profit on business activity

The Group posted a sharp increase in operating profit from business activity in 2010, from €18.5 million in 2009 (10.2% of revenue) to €30.0 million and 14.4% of revenue.

9.5.5 Profit from recurring operations

The other income and expenses deducted from the operating profit on business activity mainly involve depreciation of tangible fixed assets and the amortisation of the intangible assets gained from acquisitions, which totalled €1.9 million in 2010 and 2009, versus €0.722 million in 2008. These are mostly related to the acquisition of Tumbleweed. Profit from recurring operations totalled €28.1 million in 2010, for a margin of 13.5% of revenue in 2010. This is four percentage points more than the previous year.

9.5.6 Operating profit

The other operating income and expenses deducted from the profit from recurring operations are the non-recurring expenses related to the proposed spin-off of Axway from Sopra Group S.A., which represented a total of €3.6 million in 2010.

9.5.7 Cost of net financial debt

The cost of net financial debt was €1.7 million in 2010, versus €1.2 million in 2009 and €4.4 million in 2008. This cost consists mainly of interest expense on Axway's current account with Sopra Group S.A., which bears interest at the market rate.

9.5.8 Net profit/(loss)

There was a net profit of €26.6 million in fiscal 2010, versus €10 million in fiscal 2009.

9.6 Balance sheet and financial structure

The Group considerably strengthened its financial structure in 2010, by:

- An increase in equity, from €110.3 million in 2009 to €148.1 million in 2010, although it should be noted that a significant portion of this improvement is due to net profit (€26.6 million, see Section 20.1.2.b) and to the adjustment in translation reserves (€11.6 million, see Section 20.1.2.b), which is offset in the balance sheet under intangible assets;
- Significantly reducing net financial debt from €67.1 million in 2009 to €48.2 million, which has substantially reduced gearing from 60.8% in 2009 to 32.5% in 2010. This pro forma net financial debt includes the current account with Sopra Group S.A., which had a balance of €68.4 million in 2010 compared to €76.6 million in 2009.

9.7 Cash from operations

The Group's cash from operations after the cost of net debt and taxes has grown steadily over the past three fiscal years, from €18.0 million (11% of revenue) in 2008, to €19.9 million in 2009 (11% of revenue) and to €29.7 million in 2010 (14% of revenue). The growth of cash from operations in 2010 may largely be attributed to the sharp increase in Group revenue and the improvements in gross margin and the operating margin.

10. CASH FLOW AND EQUITY

10.1 Shareholders’ equity of the Company

Axway’s pro forma shareholders’ equity totalled €148.1 million at 31 December 2010, after inclusion of the €26.6 million net profit for the fiscal year.

10.2 Cash flow

The cash-flow statement is shown in Section 20.1.4, which concerns the combined financial statements, and in Section 20.3.5, which concerns the pro forma financial statements.

(in thousands of euros)	2010	2009	2008
Net cash from operating activities	23,824	5,095	11,596
Net cash from (used in) investing activities	-2,796	-2,040	-86,822
Net cash from (used in) financing activities	-9,682	-2,892	76,909
Effect of foreign exchange rate changes	-358	171	59
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,988	334	1,742
Opening cash position	11,286	10,952	9,210
Closing cash position	22,274	11,286	10,952

10.2.1 Net cash from operating activities

(in thousands of euros)	2010	2009	2008
Consolidated net profit (including minority interests)	26,596	9,980	7,865
Net increase in depreciation, amortisation and provisions	3,863	3,811	1,082
Unrealised gains and losses relating to changes in faire value	-	-	-
Share-based payment expense	-	-	-
Other calculated income and expense	544	-453	-1,146
Gains and losses on disposal	38	8	4
Cash from operations after cost of net debt and tax	31,041	13,346	7,805
Net borrowing cost	1,715	1,207	4,417
Income taxes (including deferred tax)	-3,046	5,365	5,757
Cash from operations before cost of net debt and tax (A)	29,710	19,918	17,979
Tax paid (B)	-6,587	-9,693	-4,863
Changes in operating working capital requirements (included liabilities related to employee benefits) (C)	701	-5,130	-1,520
Net cash from operating activities (D) = (A+B+C)	23,824	5,095	11,596

The €10 million growth in 2010 of the Axway group's cash from operations before the cost of net debt and taxes as compared to 2009 was mainly driven by the increase in net profit. This growth was not offset by the working capital requirement, which rose only €0.701 million in 2010. The 12.3% organic growth achieved in the 4th quarter of 2010 was accompanied by an increase in the working capital requirement.

10.2.2 Net cash from (used in) investing activities

(in thousands of euros)	2010	2009	2008
Purchase of tangible and intangible fixed assets	-2,876	-1,949	-904
Proceeds from sale of tangible and intangible fixed assets	2	-	-
Purchase of financial assets	-41	-190	595
Proceeds from sale of financial assets	123	99	170
Impact of changes in the scope of consolidation:	-4	-	-86,683
Net cash from (used in) investing activities (E)	-2,796	-2,040	-86,822

The change in cash flow from investing activities over this period can be explained by the variation of external growth over these three years.

In 2008, the impact of the change in consolidation scope represents the net cost of the Tumbleweed acquisition, i.e. including the company's cash.

Regarding tangible and intangible fixed assets, Axway regularly invests in IT hardware, office furniture and fixtures, mostly for its subsidiaries.

The 2008 acquisition of Tumbleweed in the US

In September 2008, Axway acquired 100% of the share capital of Tumbleweed Communications Corp in a cash transaction. Tumbleweed is an industry leader in managed file transfer, e-mail security and identity validation and has a portfolio of over 3,300 customers worldwide that includes major private-sector companies in technology, retail, finance, healthcare, manufacturing, consumer packaged goods, telecoms and energy and various US government departments. Tumbleweed's businesses have been integrated into Axway and it has been consolidated since 1 September 2008. On 31 December 2008, Tumbleweed Communications Corp. was absorbed by Axway Inc., Axway Software's US subsidiary.

(in thousands of euros)	Tumbleweed
Acquisition price	100,535
Present value of earnouts	-
Acquisition-related expenses	1,749
Acquisition cost	102,284
Net assets acquired, excluding existing goodwill	2,645
Intangible assets allocated	21,670
GOODWILL	77,969

No acquisitions were made in 2010 or 2009.

10.2.3 Net cash flow from financial activities

(in thousands of euros)	2010	2009	2008
Proceeds on issue of shares		-	55,720
Proceeds on the exercise of stock options		-	-
Purchase and proceeds from disposal of treasury shares		-	-
Dividends paid during the year		-	-
Dividends paid to shareholders of the parent company		-	-
Dividends paid to minority interests of consolidated companies		-	-
Change in borrowings		-99	-78
Change in current account - Sopra Group S.A.	-8,179	-1,876	25,525
Net interest paid (including finance leases)	-1,715	-1,207	-4,417
Other cash flow relating to financing activities	212	290	159
Net cash from (used in) financing activities (F)	-9,682	-2,892	76,909

In 2008, Sopra Group completed a €55.7 million share issue to strengthen Axway's capital base after its acquisition of Tumbleweed.

10.3 Debt and financial structure

Axway is financed by Sopra Group S.A. through a current account that had a balance of €68.4 million at the end of 2010. Net debt, which includes net cash and other financial liabilities, totalled €48.2 million.

Medium-term (five years from the date of the first spin-off) bank financing in an amount of €100 million, for which the Company received a firm commitment on 21 April 2011, and a €20 million overdraft facility, will be made available from Axway's listing date. The use of this bank financing is subject to the terms indicated in Sections 10.4 and 10.5 below.

A capital increase of Axway could be carried out soon after the Axway shares are distributed to Sopra Group S.A. shareholders, subject to market conditions and the approval of stock market authorities and Axway's shareholders. This capital increase, expected to be in the range of €50 to 65 million, would mostly serve to repay the current account advances that Sopra Group S.A. granted to Axway under a cash-management agreement and will enable Axway to have a positive cash balance.

This share issue will increase shareholder equity to over €200 million.

10.4 Restrictions on use of capital

Axway will have to repay the current account advances granted by Sopra Group S.A. under a cash-management agreement from the proceeds of the capital and therefore may not use its €100 million medium-term credit line (five years from the date of the first spin-off), for which the Company has a firm commitment, nor its €20 million overdraft facility for this purpose. Moreover, the Company's net debt may not exceed certain limits in order to maintain compliance with three ratios set under covenants (R1, R2 and R3), applicable from the moment funds are made available (see Section 4.3 and Note 31.2 of Section 20.1). Groupe Sopra has also agreed not to ask Axway to repay its current account advance prior to 31 December 2012, unless Axway increases its capital.

10.5 Expected sources of funding for future investments

On 21 April 2011, the Axway group obtained from Sopra Group S.A.'s banks a firm commitment for a €100 million five-year credit line provided to enable Axway to make acquisitions (see Note 31.2 of Section 20.1). This financing is to be provided via a "club deal" (comprising the following banks: BNP Paribas, CIC Lyonnaise de Banque, Crédit Agricole Corporate and Investment Bank, HSBC France, Crédit Lyonnais and Société Générale), corresponding to a line of credit granted by a group of banks acting in concert that hold the senior debt upon the signing of the loan agreement. This credit line will bear interest at the 3-month Euribor rate plus a spread that will depend on the covenants negotiated.

The definitive agreements will be signed before the date of the initial listing of the Company's shares and the funds will be made available to the Company as from this date. It will be made available when Axway is listed and will mature five years after the listing date. This credit facility may not be allocated to the repayment of current account advances.

To supplement this credit, a € 20 million overdraft facility will also be made available on the listing date.

This loan is subject to compliance with certain financial ratios (see Section 4.3 and Note 31.2 of Section 20.1). The Company has also made a certain number of representations and warranties, and has undertaken commitments with its banks, all of which are in keeping with standard procedures for this type of financing, particularly with respect to restructuring efforts, acquisitions and disposals of certain assets, and the granting of a pledge relating to Axway's business goodwill, including in particular its client base, leasehold, equipment, goods and tools, its trade name, trademark or service mark and company name.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Over the past three years the Group has invested the following sums in research and development to improve its software products:

(in millions of euros)	**2010**	**Restated 2010 (CVAE)**	**2009**	**2008**
Research and development	32.7	32.9	31.2	26.1

This R&D work includes:

- evolutionary maintenance;
- converging the technologies used in Synchrony™;
- developing new versions;
- developing software architecture to enable the deployment of the Synchrony™ platform in accordance with a hybrid model (see Chapter 6 above).

All R&D expenditures, which consist mainly of the direct cost of software development staff, have been recognized as operating expenses.

Forty-five patents have been granted to date and 17 are pending. Most of these patents are registered or pending in the United States and concern the following technologies:

	Managed File Transfer (MFT)	MFT – Doc Convert	MFT - Enrollment	Private URL	Messaging Firewall	Crypto-Security Firewall	Anti Spam	Certificate Authority
Granted	15	5	2	3	7	15	3	6
Pending	2	0	2	0	8	5	5	1

Most of these patents are related to the email security market (see Chapter 6). The Company's overall business does not depend substantially on any specific patent or technology.

12. TREND INFORMATION

After 2010, which saw a sharp general recovery in the software development market and an exceptionally strong first quarter due to the launching of projects that were postponed in 2009, the market seems to be returning to normal in 2011. In the first quarter of 2011, the Group posted revenue of €47.1 million, representing total growth of 7.5% and organic growth of 6.3% compared to the same period the previous year. It should be noted that the Group's emergence from the economic crisis that had weakened its performance in 2009 resulted in significant revenue growth during the first quarter of 2010, thus creating a less favourable basis for comparison (see Section 9.5). Axway is targeting positive organic growth for the year and expects its operating margin rate to at least remain stable (corresponding to profit from operating activities as a percentage of revenue, see Sections 20.1.2.a and 20.3.3.a of this Prospectus).

These objectives are based on data, assumptions and estimates that Axway's management considers to be reasonable. These targets may not under any circumstances be considered as forecasts. These data, assumptions and estimates may evolve or be modified as a result of uncertainties in the economic, financial, accounting, competitive or regulatory environment. Furthermore, the occurrence of certain risks presented in Chapter 4 of this Prospectus ("Risk Factors") could have an adverse impact on the Group's financial situation, earnings and capacity to achieve its objectives. Axway makes no commitment and provides no guarantee in respect of the objectives presented in this Prospectus.

13. PROFIT FORECASTS OR ESTIMATES

Not applicable.

14. ADMINISTRATIVE AND MANAGEMENT BODIES

14.1 Composition of the Board of Directors

The Company is a French *société anonyme* with a Board of Directors. It is subject to applicable laws and regulations and its articles of association.

The main provisions of these articles of association in respect of members of the Board of Directors and management bodies are provided in Section 21.2 of this Prospectus.

Unless otherwise indicated, the term "articles of association" in this chapter refers to the Company's articles of association approved at the annual and special shareholders meeting of 28 April 2011, subject to the non-retroactive condition precedent that the Company's shares are listed for trading on the NYSE Euronext regulated market in Paris.

14.1.1 Board of Directors

The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen. During the life of the Company, the directors are appointed, reappointed or dismissed by the Ordinary General Meeting; they are all eligible for re-election. Directors are appointed for a term of four years.

The Board of Directors elects from among its members a Chairman, who must be a natural person in order for the appointment to be valid. The Board of Directors can dismiss him at any time.

The Board of Directors meets as often as the interests of the Company dictate, as convened by its Chairman.

The Board of Directors determines the overall business strategy of the Company and supervises its implementation.

It decided to separate the functions of Chairman of the Board and Chief Executive Officer.

In its meeting of 28 April 2011, the General Meeting appointed the members of the Board of Directors, to be effective immediately. The Board of Directors is composed of the following members:

First name, last name and business address	Shares in the Company owned personally	Position held on the Board of Directors	Date of appointment	Expiration of term	Directorships and offices held during the last 5 years
Pierre PASQUIER (75 years) Business address: Sopra Group S.A. PAE Les Glaisins BP 238 74942 Annecy-le-Vieux Cedex France	120,463	Chairman of the Board of Directors	General Meeting of 19 May 2009 and Board of Directors' Meeting of 19 May 2009	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** - Chairman of Axway Software - Director or company officer of the Group's foreign subsidiaries (direct and indirect) **Outside the Group:** - Chairman and CEO of Sopra Group S.A. - Chairman and CEO of Sopra GMT
Kathleen CLARK BRACCO (43 years) Business address: Sopra GMT PAE Les Glaisins BP 238 74942 Annecy-le-Vieux Cedex France	5,250	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** Nil **Outside the Group:** Financial Information Director of Sopra Group S.A.
David COURTLEY (54 years) Business address: 25 Mount Pleasant Villas London N4 4HH England	100	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** Nil **Outside the Group:** - Director of Sagentia - Chief Executive of Fujitsu Services (United Kingdom)
Hervé DECHELETTE (66 years) Business address: Sopra Group S.A. PAE Les Glaisins BP 238 74942 Annecy-le-Vieux Cedex France	17,925	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** - Director - Director or company officer of the Group's foreign subsidiaries (direct and indirect) **Outside the Group:** Nil
Christophe FABRE (42 years) Business address: Axway 6811 E. Mayo Boulevard,	2,250	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31	**Within the Group:** - Chief Executive Officer - Director or company officer of

Suite 400 Phoenix, Arizona 85054 USA				December 2014	the Group's foreign subsidiaries **Outside the Group:** Nil
Pascal IMBERT (52 years) Business address: Solucom Tour Franklin 100-101 Terrasse Boieldieu 92042 Paris La Défense Cedex France	100	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** Nil **Outside the Group:** Chairman of the Management Board of Solucom
Françoise MERCADAL-DELASALLES (48 years) Business address: Société Générale Tour Société Générale 17 cours Valmy Paris La Défense 7 - France	100	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** Nil **Outside the Group:** Resources Director of the Group and member of the Executive Committee of Société Générale
Hervé SAINT-SAUVEUR (66 years) Business address: LCH Clearnet SA 18 rue du 4 septembre 75002 Paris France	100	Director	General Meeting of 28 April 2011	General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Within the Group:** Nil **Outside the Group:** - Chairman of LCH Clearnet SA - Director of Sopra Group S.A. - Director of VIPARIS Holding - Director of COMEXPOSIUM - Director of SOGECAP - Elected member of Paris Chamber of Commerce and Industry

* On conclusion of the Transaction.

In its meeting of 9 May 2011, the Board of Directors will name independent members in accordance with the recommendations of the MiddleNext Corporate Governance Code for Midcaps (Messrs. David Courtley, Hervé Déchelette, Pascal Imbert and Hervé Saint-Sauveur have been identified to be appointed as independent directors on this occasion).

Pierre Pasquier was appointed Chairman of the Board of Directors on 22 December 2001.

Pierre Pasquier has around 40 years' experience in the fields of IT and corporate management. In 1968 he co-founded Sopra Group S.A., the company that gave birth to Axway and which is now one of France's leading consulting and systems and solutions integration companies. He is a graduate of the University of Rennes (Mathematics, 1962).

Kathleen Clark Bracco has been a member of the Board of Directors since 28 April 2011.

Kathleen Clark Bracco has been Sopra Group S.A.'s Director of Financial Communications since 2002. As such, she is responsible for investor relations as a whole. She began her professional career in the United States education sector. She is a graduate of the University of California (Literature, 1994) and the University of California at San Jose (English, 1989).

David Courtley has been a member of the Board of Directors since 28 April 2011.

David Courtley is an advisor for a number of IT and private equity companies and also works as a management consultant. He has many years experience in the IT field, having been Chief Executive of Fujitsu Services (formerly ICL) in the United Kingdom from 2001 to 2008 and a senior executive at EDS UK from 1991 to 2000.

Hervé Déchelette has been a member of the Board of Directors since 28 April 2011.

Hervé Déchelette has been with Sopra Group S.A. for most of his career, and was Company Secretary until 2008. He is an *expert-comptable* (French equivalent of chartered accountant) by training and has a degree of the Ecole Supérieure de Commerce in Paris.

Christophe Fabre was appointed Chief Executive on 22 December 2005 and has been a member of the Board of Directors since 28 April 2011.

Christophe Fabre has been with Sopra Group S.A. since July 1995, when he joined the department that gave birth to Axway Software. After being appointed Chief Technology Officer (CTO) in 2003, he was responsible for combining all of Axway Software's existing products onto a single platform before being appointed Chief Executive in 2005. He is a graduate of the Institut d'Informatique et Mathématiques Appliquées de Grenoble (IMAG), where he gained a DESS postgraduate diploma in Computer Science in 1993.

Pascal Imbert has been a member of the Board of Directors since 28 April 2011.

Pascal Imbert began his career with Télésystèmes in 1980. In 1990, he co-founded Solucom, where he has been Chairman of the Management Board since 2002. Solucom is a management and information systems consultancy whose clients are among the top 200 large corporates and administrations. Solucom is listed on NYSE Euronext and has been recognised as an "innovative business" by OSEO innovation. Pascal Imbert is a graduate of both the Ecole Polytechnique and the Ecole Supérieure des Télécommunications.

Françoise Mercadal-Delasalles has been a member of the Board of Directors since 28 April 2011.

Françoise Mercadal-Delasalles has spent her career working for the French Ministry of Finance (Budget Directorate) and in the banking sector. Since February 2009, she has been Société Générale Group's Resources Director and a member of the Group's Executive Committee. Françoise Mercadal-Delasalles holds bachelor's degrees in Arts and Law and is a graduate of the Institut d'Etudes Politiques de Paris and an alumna of the Ecole Nationale d'Administration (class of 1986/1988).

Hervé Saint-Sauveur has been a member of the Board of Directors since 28 April 2011.

Since 30 May 2005, Hervé Saint-Sauveur has been a member of Sopra Group S.A.'s Board of Directors, within which he is Chairman of the Audit Committee. He joined Société Générale in 1973. After working in the economic research department (1973), he went on to become Director of Financial Control (1980-84), Chief Executive of Europe Computer Systems (1985-90), Operations Director in the Capital Markets Division (1990-94), Group Strategy and Finance Director and member of the Executive Committee (1995-2002), and adviser to the Chairman (2003-06). Since 2009, he has been Chairman of LCH Clearnet SA. He is a graduate of both the Ecole Polytechnique and the Ecole Nationale de la Statistique et de l'Administration Economique.

14.1.2 Senior management

First name, last name and business address	Office	Date first appointed and date on which office expires	Offices and duties within the Group over the past five years	Offices and duties outside the Group over the past five years
Pierre PASQUIER Business address: Sopra Group S.A. PAE Les Glaisins BP 238 74942 Annecy-le-Vieux Cedex France	Chairman of the Board of Directors	**First appointed:** 22 December 2001	**Current offices and duties:** (see Section 14.1.1)	**Current offices and duties:** (see Section 14.1.1)
		Expiry of office: General Meeting convened to approve the financial statements for the year ended 31 December 2014	**Expired offices and duties:** (see Section 14.1.1)	**Expired offices and duties:** (see Section 14.1.1)
Christophe FABRE Business address: Axway 6811 E. Mayo Boulevard, Suite 400 Phoenix, Arizona 85054 USA	Chief Executive Officer	**First appointed:** 22 December 2005	**Current offices and duties:** Nil	**Current offices and duties:** Nil
		Expiry of office: Open-ended	**Expired offices and duties:** Nil	**Expired offices and duties:** Nil

14.1.3 Family relationships

As at the date of approval of this Prospectus, to the best of the Company's knowledge, there are no family relationships between members of the Board of Directors and the Company's management.

14.1.4 Legal information

As of this writing, to the best of the Company's knowledge, none of the members of the Board of Directors or management have been:

- convicted of fraud in the past five years;
- declared bankrupt or placed into receivership or liquidation in the past five years;
- incriminated or issued an official public sanction by statutory or regulatory authorities in the past five years.

To the best of the Company's knowledge, none of the corporate officers has been prevented by the courts from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business in the past five years.

14.1.5 Committees

An Audit Committee will be established by resolution of the Board of Directors in its meeting of 9 May 2011. The Audit Committee's membership, operating procedures and responsibilities will also be approved at this meeting, to be effective immediately.

14.2 Conflicts of interest within administrative and management bodies

The Company maintains significant relations for its business and development with Sopra GMT, the lead holding company of which Pierre Pasquier is Chairman and Chief Executive Officer and in which he holds a majority of voting rights. Once the Company's shares have been admitted to trading on the NYSE Euronext regulated market in Paris, Sopra GMT will continue to control the Company as a result of its directly and indirectly holding more than half of the Company's voting rights (see Section 18.2).

Furthermore, a framework assistance agreement has been entered into with Sopra GMT, under the terms of which Sopra GMT will provide a number of services to Sopra Group S.A. and Axway Software (see Section 19). In accordance with the procedure applicable to regulated agreements, this agreement was submitted to the Board of Directors for approval prior to being signed.

To the best of the Company's knowledge, these relationships are not liable to constitute conflicts of interest.

Readers are also reminded that:

- Axway's Board of Directors will include one or more independent members, who will be named at a meeting to be held on 9 May 2011, in accordance with the recommendations of the MiddleNext Corporate Governance Code for Midcaps;
- the directors submit to the obligation to comply with the interests of the company, the rules set out in the charter and the rules of procedure of the Board of Directors or any other rules contributing to good governance as defined in the Middlenext Corporate Governance Code ("Compliance for Board Members").

15. REMUNERATION AND BENEFITS

15.1 Remuneration and benefits in kind

15.1.1 Remuneration of senior executive officers

Pierre Pasquier did not receive any compensation in respect of the 2009 or 2010 financial years.

The Company's Combined General Meeting of 28 April 2011 decided to allocate directors' fees in the amount of €250,000 in respect of the 2011 financial year.

The table below shows the remuneration paid and owed to Christophe Fabre over the past two fiscal years:

(in USD)	2009		2010	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
Christophe Fabre				
Fixed compensation	$329,178	$329,178	$349,205	$349,205
Variable compensation	$138,040	$143,432	$280,000	$138,040
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Value of benefits in kind*	$95,617	$95,617	$110,433	$110,433
Value of share subscription options	-	-	-	-
Value of performance-based shares	-	-	-	-

* The benefits in kind enjoyed by Christophe Fabre primarily comprise a company vehicle and living accommodation.

The amounts shown in the table above do not include social security contributions paid in France, which came to €87,713 in 2009 and €84,273 in 2010.

Senior executive officers	Employment contract		Additional pension plan		Compensation or benefits due or likely to be due in respect of a cessation or change in their terms in office		Compensation in respect of a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Pasquier Chairman Date of appointment: Board of Directors' meeting of 19 May 2009 End of term: General Meeting convened to approve the financial statements for the year ended 31 December 2014		X		X		X		X
Christophe Fabre Chief Executive Officer Date of appointment: Board of Directors' meeting of 22 December 2005 End of term: Appointment for an unlimited period	X			X		X		X

Christophe Fabre has been employed by Sopra Group S.A. since 1995. His employment contract was transferred to Axway when it was made a subsidiary in 2001, as were all the employment contracts of the employees of the transferred business activities.

With effect from 22 December 2005, the date of Christophe Fabre's appointment as the Company's Chief Executive Officer, his employment contract was suspended and it will remain suspended for as long as Christophe Fabre serves as Chief Executive Officer following the Company's initial public offering.

It should be noted that 20,100 options to subscribe to shares were granted to Christophe Fabre under Plan No. 1 (see Section 17.2), which has the following characteristics:

OPTIONS GRANTED TO COMPANY OFFICERS	
INFORMATION ON SHARE PURCHASE OR SUBSCRIPTION OPTIONS	
Date of the General Meeting that authorised the plan	23/05/2007
Grant date by the Board of Directors	23/05/2007
Company officer concerned by the award	Christophe Fabre
Total number of shares that may be subscribed or purchased	20,100
Date from which options may be exercised	24/05/2011
Expiry date	23/05/2012
Subscription or purchase price	€78.90
Number of shares subscribed at 31/12/2010	0
Cumulative number of share subscription or purchase options having been cancelled or expired	-
Share subscription/purchase options outstanding at 31/12/2010	20,100

In addition, the General Meeting held on 28 April 2011 authorised the Board of Directors to grant options to subscribe to shares, to allot existing or newly issued shares as bonus shares and to issue BSAARs in favour of eligible employees and company officers, not to exceed 7%, 1% and 7%, respectively, of the number of shares making up the Company's share capital[3] (see Section 21.1.5). At this stage, the Board of Directors has not reached any decision regarding the use of these authorisations, the aim of which would be to motivate and build loyalty among the Group's employees. In any event, these authorisations will not be used prior to the share capital increase in the order of €50–65 million that could be made following the Distribution (see Section 4.9).

15.2 Provisions made by the Company and its subsidiaries to pay pension, retirement and other advantages to senior executives

There is no supplementary retirement plan specifically for senior executives.

[3] It should be noted that the 7% limit applicable to the BSAAR issue will need to be considered as a deduction from the 7% ceiling applicable to the granting of options to subscribe to shares.

16. FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 Director appointments

Information concerning the term of directorships is provided in “The Board of Directors” Section (14.1.1) of this Prospectus.

16.2 Information concerning service agreements between members of the Company’s administrative or management bodies and any of its subsidiaries

There is no service agreement between the members of the issuer’s administrative or management bodies and any of its subsidiaries that provides for benefits of any type.

16.3 The Audit Committee

The Audit Committee will be created by resolution of the Board of Directors to be held on 9 May 2011 which will also decide, with immediate effect, on its composition, its operating procedures and its remits. The operating procedures and responsibilities of the Audit Committee are presented in the following sections.

A. Operating procedures

This Committee meets at least four times a year. At least two of these meetings are convened to review the interim and annual financial statements, respectively.

B. Duties

Through its work and recommendations, the Committee, which has no decision-making authority, assists the Board of Directors in making decisions that concern financial and operational risk management, the consistency and effectiveness of internal-control systems (particularly with respect to the mitigation of financial and operational risk), and the risks associated with the Group’s activities. The Audit Committee therefore has the following main responsibilities:

- examining the financial statements, especially in order to:
    - review the Company’s exposure to risks as well as its off-balance sheet commitments,
    - verify that the procedures for gathering and checking information guarantee its reliability,
    - ensure that accounting policies have been applied consistently and are pertinent;
- promoting the effectiveness of internal control and risk management procedures;
- monitoring the statutory audit of the Group’s financial statements by the Statutory Auditors;
- ensuring compliance with the requirement for the independence of Statutory Auditors.

The Audit Committee also gives its opinion on the statutory auditors proposed for appointment at the annual general meeting.

It regularly reports on its work to the Board of Directors and immediately informs it of any difficulty encountered.

16.4 Corporate governance

To ensure open disclosure to the general public, the Company has reviewed its policy on corporate government practices in general and more specifically with respect to its planned listing on the NYSE Euronext regulated market.

At its meeting to be held on 9 May 2011, the Company plans to adopt the MiddleNext Corporate Governance Code for Midcaps, as issued in December 2009, as the reference code for governance, to be effective immediately.

The Company's objective is to comply with all of this Code's recommendations.

16.5 Internal control

Prior to the admission to trading of its shares on the regulated market of NYSE Euronext in Paris, the Company was a wholly owned subsidiary of Sopra Group subject to the internal control procedures applicable to companies listed on a regulated market, which are described in Section 3.4 of Sopra Group's Reference Document.

In this respect, the Company has been subject to Sopra Group's internal control procedures, which it will continue to apply following the admission to trading of its shares on the regulated market of NYSE Euronext in Paris.

The objectives of the Company's internal control procedures are to:

- ensure that the management actions performed and transactions conducted are in keeping with the guidelines and principles with which the Company's wishes to maintain compliance;
- verify that the accounting, financial and management information communicated to the Company's management bodies faithfully reflects its business results and financial position;
- ensure that policies are implemented for the identification, prevention and management of the main risks to which the Company is exposed.

In order to meet this objectives, the Company has established:

- a functional organisation under the aegis of Executive Management, comprising the Finance and Administration Department, the Human Resources Department, the Legal Department, the Internal IT Resources and Systems Department and the Quality Assurance Department;
- a bottom-up and top-down information system structuring and monitoring the dissemination of information within the Company;
- a set of procedures for the identification and assessment of risks given the status of “alerts” so as to permit a rapid decision-making process to supplement ongoing control activities organised along hierarchical lines, in which the support functions play a major role;
- the Company's management audit processes are within the purview of the Finance and Administrative Department.

Furthermore, the Company was not required to draw up a report on internal control procedures for the year ended 31 December 2010, since the Company's shares were not admitted to trading on a regulated market at that time.

For the purposes of the General Meeting to be convened in 2012 in order to approve the financial statements for the year ending 31 December 2011, the Chairman of the Board of Directors and the Company's Statutory Auditors will prepare a report on internal control procedures pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

17. PERSONNEL

17.1 Workforce

Workforce broken down by region and activity:

17.1.1 Workforce by region

Number of employees in:	2010	2009	2008
Americas	403	364	336
Europe	1,226	1,218	1,276
Asia-Pacific	32	32	40
TOTAL	**1,661**	**1,614**	**1,652**

The figures for 2008 include 293 staff members gained upon Tumbleweed's acquisition.

17.1.2 Workforce by function and division

Number of employees in:	2010	2009	2008
Executive Management and support functions (1)	143	124	88
Software publishing	771	763	770
Software distribution	743	727	794
TOTAL	**1,661**	**1,614**	**1,652**

(1) Support functions comprise the Finance and Administration Department, the Human Resources Department, the Legal Department, the Internal IT Resources and Systems Department and the Quality Assurance Department.

The figures for 2008 include 293 staff members gained upon Tumbleweed's acquisition.

17.1.3 Training

Employee training is a top priority at Axway. The broad spectrum of training provided covers technical and technological aspects, methodologies (the quality plan and development process) and personal development.

The following training was provided in 2010:

- In France — 350 employees received a total of 1,611 days of training (vs. 1,546 days in 2009), for an average of 2.76 days of training per person;
- In Europe[4] — 120 employees received a total of 319 days of training (vs. 465 in 2009), for an average of 0.6 days of training per person.

[4] (excluding France)

17.1.4 Other information

- 2% of the workforce does not have “executive” (*cadre*) status
- The ratios of male and female employees in 2009 were 75% and 25% respectively (vs. 77% and 23% in 2008)
- Employees had been with the company an average of 5.3 years in 2009 (vs. 4.6 years in 2008 and 4.7 in 2007)
- The average age of employees was 39 years in 2009 (vs. 38 in 2008)
- The turnover rate was 10% in 2009 (vs. 15% in 2008 and 18% in 2007).

17.2 Stock options

Position as of 31/03/2011 Type of share: Axway Software															
Grant date	Number of beneficiaries	Number of options allocated initially	Of which company officers	Number of company officers concerned	Beginning of option exercise period	End of option exercise period	Exercise price	Number of options cancelled at 31/12/2010	Of which cancelled in 2010	Of which company officers	Number of options exercised at 31/12/2010	Of which company officers	Of which options exercised in 2010	Number of options outstanding at 31/12/2010	Of which company officers
PLAN No 1 - 2007 stock option plan (Combined General Meeting of 23 May 2007): maximum issue of 5% of the share capital															
23/05/2007	1	20,100	1	1	24/05/2011	23/05/2012	78.90 €							20,100	20,100
22/11/2007	6	17,000			30/06/2010	31/12/2013	93.54 €	4,000						13,000	
	-	17,000			30/12/2012	31/12/2013	93.54 €	4,000						13,000	
6/11/2008	4	8,500			30/06/2011	31/12/2014	145.00 €							8,500	
	-	8,500			30/12/2013	31/12/2014	145.00 €							8,500	
19/05/2009	1	4,000			30/06/2011	31/12/2014	145.00 €							4,000	
	-	4,000			30/12/2013	31/12/2014	145.00 €							4,000	
TOTAL	**12**	**79,100**	**1**	**1**				**8,000**						**71,100**	**20,100**
PLAN No° 2 - 2010 stock option plan (General Meeting of 25 November 2010): maximum issue of 10% of the share capital															
25/11/2010	2	5,000			30/06/2012	31/12/2015	145.00 €							5,000	
	-	5,000			30/12/2014	31/12/2015	145.00 €							5,000	
TOTAL	**2**	**10,000**												**10,000**	
From 2007, half of each grant relates to options that may be exercised after four years; the remaining half may be exercised early.										**Total of 2 plans**				**81,100**	**20,100**

Axway employees may exercise 81,100 options to subscribe to shares[5] between the date of this Prospectus and 31 December 2015. This represents a maximum potential dilution of 3.92% of the capital resulting from the share issue, subject to the adjustments necessitated by the Preliminary Transactions set out in Section 26.1.1.4 of this Prospectus, which will be applied by the Company’s Board of Directors prior to the Distribution Finalisation Date.

On 28 April 2011, Axway’s Board of Directors was authorized, for a period of 38 months, to grant share subscription options to the employees and corporate officers of the Company or the Group, to a maximum proportion of 7% of the Company’s capital, with shareholder’s waiving their preferential right to subscribe to the resulting shares. There are no plans at this stage to make use of these authorisations, the aim of which, if decided by the Board of Directors, would be to motivate and retain the Group’s employees.

17.3 Profit-sharing and incentive agreements

17.3.1 Profit sharing

Under an agreement executed on 2 April 2002, the employees of Axway Software and the Sopra Group S.A. employed for at least three months at the end of the reference period are entitled to profit-sharing for an unlimited period. Since Axway Software is being separated from Sopra Group S.A., the plan is for this agreement to be terminated so as to enter into negotiations to establish a separate profit-sharing agreement for Axway Software with respect to the 2011 financial year.

[5] Subject to any applicable restrictions.

17.3.2 Incentive agreement

Since 15 June 2009, Axway Software's employees have been entitled to incentive payments under a group incentive agreement that applied to the employees of the Groupe Sopra S.A.'s French companies (i.e. Sopra Group, Sopra Consulting and Axway Software). This agreement, which spans the three years 2009 through 2011, stipulated that if the company Sopra Group S.A. no longer controlled the company Axway Software, the latter would be excluded from the agreement and would have to negotiate a new agreement. As of the date of this Prospectus, negotiations are underway to establish a separate incentive agreement for Axway Software.

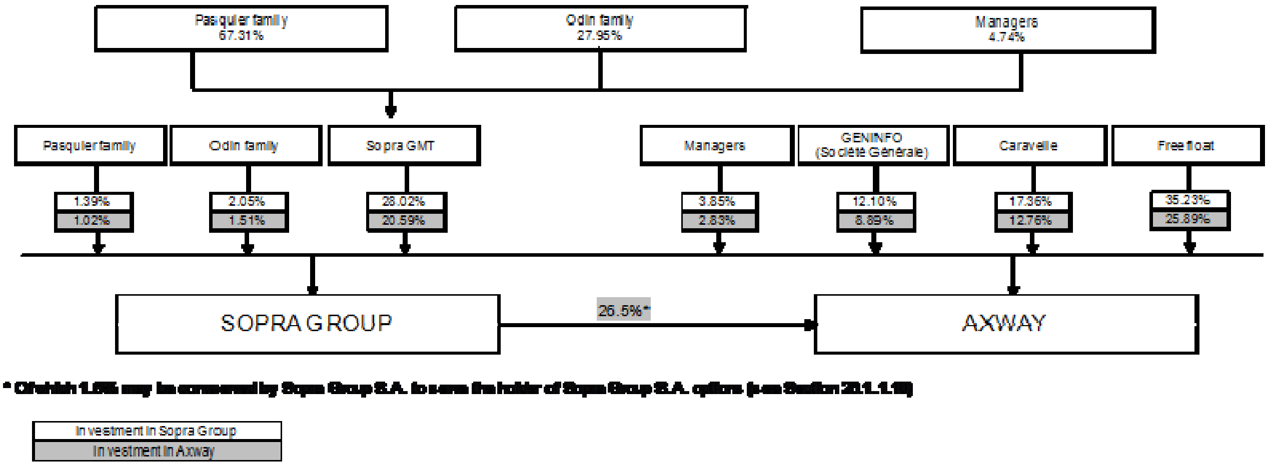
17.3.3 Company savings plan

Since 3 July 2002, Axway Software employees have been entitled to participate in a French company savings plan that was made available to the current and former employees of Sopra Group S.A. and Axway Software for an unlimited period. Since Axway Software is being separated from the Sopra Group S.A., the plan is for this agreement to be terminated so as to enter into negotiations to establish a separate company savings plan for Axway Software with respect to the 2011 financial year.

18. MAIN SHAREHOLDERS

18.1 Main shareholders

Subsequent to the transactions described in section 26.1 of this Prospectus, the shareholding structure of the new Group will be as shown below (based on known shareholders at 31 December 2010 and a distribution ratio of approximately 75 % of Axway Software S.A.'s capital to Sopra Group S.A. shareholders):



In respect of Axway, Sopra Group S.A.'s and Axway's holding company, Sopra GMT, will be acting in concert with:

- the Pasquier and Odin family groups, Sopra Développement and Sopra Group S.A.'s senior managers, under a shareholders' agreement dated 7 December 2009 relating to Sopra Group S.A., such that the provisions of said agreement are extended to the Company's shares for the same period. With regard to the Company, this results in:
  - an undertaking by the parties to act in concert so as to implement shared strategies and, in general, to approve any significant decisions;
  - an undertaking by the parties to act in concert in connection with the appointment of the members of the Company's management bodies and the renewal of these appointments, by which the senior managers agree to facilitate the appointment of any individuals proposed by the Pasquier and Odin family groups and Sopra GMT;
  - an undertaking by the parties to act in concert in connection with any proposed acquisition or disposal corresponding to more than 0.20% of the capital or voting rights of the Company;
  - an undertaking by the parties to act in concert in order to adopt a shared strategy in the event of any takeover bid or exchange offer relating to the Company's shares;
  - a pre-emptive right to the benefit of the Pasquier and Odin family groups, Sopra GMT and Sopra Développement in the event of any disposal (*i*) by a senior manager of the Company's shares (right of first refusal for Sopra GMT, right of second refusal for the Pasquier family group, right of third refusal for the Odin family group, right of fourth refusal for Sopra Développement) or (*ii*) by Sopra Développement of the Company's shares (right of first refusal for Sopra GMT, right of second refusal for the Pasquier family group, right of third refusal for the Odin family group). The exercise price for the pre-emptive right shall be equal to (*x*) the price agreed between the transferor and the transferee in the event of an off-market transfer, (*y*) the average share price over the ten trading days preceding the announcement of the disposal in the event of a sale on the market, (*z*) the value determined for the shares in the context of the transaction, in all other cases; and
- Geninfo and Sopra Group S.A., with the understanding that these two companies are not party to any shareholders' agreement relating to Axway. It should be noted that, under an agreement dated 16 November 2004, Sopra GMT and Messrs. Pasquier and Odin, on the one hand, and Geninfo on the other hand act in concert vis-à-vis Sopra Group S.A., of which they together hold about 43.60% of the capital and voting rights (47.5% after taking into account the shares held in concert by Sopra GMT and the Pasquier and Odin family groups with Sopra Développement and the senior managers).

Sopra GMT will, in concert with the Pasquier family, the Odin family, Sopra Développement and the Managers of GENINFO and Sopra Group S.A., hold approximately 61.34% of the Company's voting rights when its shares are made available for trading on the NYSE Euronext regulated market in Paris.

It should be noted that once Sopra Group S.A. has distributed the Axway shares to its shareholders, at a time shortly thereafter, yet subject to market conditions and the approval of market authorities and Axway shareholders, Axway will issue shares to increase its capital and this could modify the share-holding structure presented above.

18.2 Voting rights of the main shareholders

The voting right attached to ordinary shares and to those whose par value has been redeemed (*actions de jouissance*) is proportional to the share of the Company's capital the shares represent. Each share is entitled to one vote.

18.3 Control of the Company

At the date of this Prospectus, the Company is 100% controlled by Sopra Group S.A.

After the transaction described in Section 26.1, the Sopra Group S.A.'s and Axway's holding company, Sopra GMT, will hold in concert (see Section 18.1 above) over half of the Company's voting rights and will therefore control Axway. To ensure open disclosure to the general public, the Company has reviewed its policy on corporate government practices in general and more specifically with respect to its planned listing on the NYSE Euronext regulated market. As indicated in Section 16.4 "Statement on corporate governance", at the meeting of its Board of Directors to be held on 9 May 2011, the Company plans to adopt the recommendations of the MiddleNext Corporate Governance Code for Midcaps, as issued in December 2009.

However, readers are reminded that members of the Board of Directors are subject to the obligation to act in the Company's interest and that they aim to comply with the best practices for governance defined by the MiddleNext Corporate Governance Code for Midcaps (Ethical Guidelines for Board Members).

Furthermore, the Company is subject to regulations and to governance practices applicable to listed companies, as its leading shareholder after the initial listing date, Sopra Group S.A., has been a listed company since March 1990.

In addition, corporate governance procedures will be put in place, such as the establishment of an audit committee responsible for examining the Company's financial statements, promoting the effectiveness of internal control and risk management procedures, monitoring the statutory audit of the Company's financial statements and ensuring compliance with the requirement for the independence of the Company's Statutory Auditors (see Section 16.3 "The Audit Committee"). The Company considers that there is no risk that the control of the Company might be exerted in an abusive manner.

18.4 Agreements that could result in a change of control

Other than the agreements mentioned above in Sections 18.1 and 18.3, to the Company's knowledge there is no agreement that could result in a change of control.

19. RELATED PARTY TRANSACTIONS

In the past, the Group has benefited from various services and will continue to benefit, during a transitional period, from services provided contractually by Sopra Group S.A. involving certain support functions, including finance, accounting, legal and logistics, and in the areas of human resources and information systems (services are rendered under (i) a functional management assistance agreement, (ii) an agreement for the provision of IT resources and (iii) a secondment agreement, all of which were concluded at year-end 2001) (see Section 4.6.1). On a case-by-case basis, Sopra Group S.A. and Axway may continue to prepare joint bids in response to some tender offers.

Under agreements between Groupe Sopra companies, in 2010 Axway sold €3 million in goods and services to Sopra Group S.A. and companies affiliated with Sopra Group S.A. and purchased €13.9 million in goods and services from Sopra Group S.A. and companies affiliated with Sopra Group S.A. The impact on Axway's earnings of transactions with its parent company and its parent's affiliates is discussed in Note 32.2 of Section 20.1.5 of this Prospectus.

For its operations in India, the Group will continue to dispose of the material and human resources (65 people) made available to it by Sopra Group S.A. under an agreement executed on 31 May 2010 between Sopra India Private Limited, Sopra Group S.A.'s Indian subsidiary, and Axway Software, and for which it will be billed at prices negotiated annually. The charge per employee and per day of work in 2010 was €110. (see Note 32.2 of Section 20.1).

The Group will also continue to use the premises made available to it by Sopra Group S.A. in Annecy and Puteaux, France under an agreement between Sopra Group S.A. and Axway Software executed on 19 December 2001 and its amendments n° 3 executed on 15 December 2010.

Sopra Group S.A. has also guaranteed the lease payments of Axway Software's subsidiary Axway Inc.

The Group will continue to be provided with credit through current account advances, which totalled €42.8 million 31 March 2011 (€68.4 million at 31 December 2010), under a cash-management agreement with Sopra Group S.A. executed on 19 December 2001 whose interest rate, set at 2.5% for 2011, is adjustable annually (see Note 31.2 of Section 20.1). In an instrument dated 27 April 2011, Sopra Group S.A. and Axway Software agreed to maintain this agreement until 31 December 2012 and that Axway Software may use the funds made available to it until this date, unless these funds are repaid in advance from the proceeds of the planned capital increase, as agreed.

An assistance framework agreement was agreed on 27 April 2011 under which Sopra GMT will provide various services to Sopra Group S.A. and Axway Software, including:

- coordinating general policy between Sopra Group S.A. and Axway Software and developing synergies subsequent to Axway's spin-off;
- strategic planning, particularly with respect to acquisition projects and possible affiliations with larger companies, or independent development if appropriate;
- providing strategy, consultancy and assistance services, particularly in the areas of finance and internal control.

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 Consolidated combined financial statements at 31 December 2010, 2009 and 2008

20.1.1 Statement of the Group's financial position

ASSETS *(in thousands of euros)*	*Notes*	31/12/2010	31/12/2009	31/12/2008
Goodwill	*4*	165,672	154,342	156,074
Intangible assets	*5*	20,845	21,269	23,868
Property and equipment	*6*	3,478	1,502	1,896
Financial assets	*7*	650	688	618
Deferred tax assets	*8*	17,942	8,518	2,709
Other non-current assets			-	-
Non-current assets		**208,587**	**186,319**	**185,165**
Stocks and work in progress		505	414	345
Trade accounts receivable	*9*	65,765	53,326	53,846
Other current receivables	*10*	11,171	9,441	5,759
Cash and cash equivalents	*11*	22,379	11,287	11,584
Current assets		**99,820**	**74,468**	**71,534**
TOTAL ASSETS		**308,407**	**260,787**	**256,699**

LIABILITIES AND EQUITY *(in thousands of euros)*	*Notes*	31/12/2010	31/12/2009	31/12/2008
Company		75,620	75,620	75,620
Capital reserves		1,169	1,169	638
Consolidated reserves		40,728	30,748	23,956
Profit for the year		26,595	9,980	7,864
Losses taken directly to equity		3,983	-7,208	-5,092
Equity - Group share		**148,095**	**110,309**	**102,986**
Minority interests		**2**	**2**	**3**
TOTAL EQUITY	*12*	**148,097**	**110,311**	**102,989**
Financial debt - long-term portion	*13*	1,774	1,610	1,336
Current account - Sopra Group		68,432	76,600	78,476
Deferred tax liabilities	*8*	9,182	7,173	213
Provision for post-employment benefits	*14*	5,206	4,124	3,838
Non-current provisions	*15*	1,155	1,036	977
Other non-current liabilities	*16*	1,909	735	1,808
Non-current liabilities		**87,658**	**91,278**	**86,648**
Financial debt - short-term portion	*13*	352	200	917
Trade payables	*17*	7,460	8,074	9,199
Other current liabilities	*18*	64,840	50,924	56,946
Current liabilities		**72,652**	**59,198**	**67,062**
TOTAL LIABILITIES		**160,310**	**150,476**	**153,710**
TOTAL LIABILITIES AND EQUITY		**308,407**	**260,787**	**256,699**

20.1.2 Consolidated income statement and statement of recognised income and expense

a- Income statement

		Financial year 2010		2010 Restated (*)		Financial year 2009		Financial year 2008	
(in thousands of euros)	*Notes*	**Amount**	*%*	**Amount**	*%*	**Amount**	*%*	**Amount**	*%*
Revenue	*19*	208,421	*100.0%*	208,421	*100.0%*	182,218	*100.0%*	171,187	*100.0%*
Purchases consumed	*20*	-13,531	*-6.5%*	-13,531	*-6.5%*	-13,960	*-7.7%*	-14,081	*-8.2%*
Staff costs	*21*	-130,878	*-62.8%*	-130,878	*-62.8%*	-115,920	*-63.6%*	-103,956	*-60.7%*
External expenses	*22*	-34,948	*-16.8%*	-34,948	*-16.8%*	-32,069	*-17.6%*	-30,965	*-18.1%*
Taxes and duties		-1,486	*-0.7%*	-2,531	*-1.2%*	-2,289	*-1.3%*	-2,192	*-1.3%*
Depreciation	*23*	-1,454	*-0.7%*	-1,454	*-0.7%*	-1,458	*-0.8%*	-1,191	*-0.7%*
Provisions and impairment	*23*	-273	*-0.1%*	-273	*-0.1%*	-158	*-0.1%*	-2	*0.0%*
Other operating income		5,023	*2.4%*	5,023	*2.4%*	2,847	*1.6%*	1,725	*1.0%*
Other operating expenses		211	*0.1%*	211	*0.1%*	-722	*-0.4%*	-324	*-0.2%*
Operating profit on business activity		**31,085**	***14.9%***	**30,040**	***14.4%***	**18,489**	***10.2%***	**20,201**	***11.8%***
Amortisation of allocated intangible assets	*24*	-1,944	*-0.9%*	-1,944	*-0.9%*	-1,856	*-1.0%*	-722	*-0.4%*
Profit from recurring operations		**29,141**	***14.0%***	**28,096**	***13.5%***	**16,633**	***9.1%***	**19,479**	***11.4%***
Other operating income and expenses	*25*	-3,583	*-1.7%*	-3,583	*-1.7%*	0	*0.0%*	-1,168	*-0.7%*
Operating profit		**25,558**	***12.3%***	**24,513**	***11.8%***	**16,633**	***9.1%***	**18,311**	***10.7%***
Income from cash and cash equivalents	*26*	10	*0.0%*	10	*0.0%*	1	*0.0%*	-	*0.0%*
Cost of gross financial debt	*26*	-1,725	*-0.8%*	-1,725	*-0.8%*	-1,208	*-0.7%*	-4,417	*-2.6%*
Cost of net financial debt		**-1,715**	***-0.8%***	**-1,715**	***-0.8%***	**-1,207**	***-0.7%***	**-4,417**	***-2.6%***
Foreign exchange gains and losses	*26*	-160	*-0.1%*	-160	*-0.1%*	-74	*0.0%*	-469	*-0.3%*
Other financial income and expenses	*26*	-133	*-0.1%*	-133	*-0.1%*	-7	*0.0%*	197	*0.1%*
Tax charge	*27*	3,046	*1.5%*	4,091	*2.0%*	-5,365	*-2.9%*	-5,757	*-3.4%*
Net profit for the year from continuing operations		**26,596**	***12.8%***	**26,596**	***12.8%***	**9,980**	***5.5%***	**7,865**	***4.6%***
Profit after tax from discontinued operations		0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
Net profit		**26,596**	***12.8%***	**26,596**	***12.8%***	**9,980**	***5.5%***	**7,865**	***4.6%***
Attributable to Group		**26,595**	***12.8%***	**26,595**	***12.8%***	**9,980**	***5.5%***	**7,864**	***4.6%***
Minority interests		1	-	1	-	-	-	1	-

(*) Excluding CVAE reclassification (see Note 3 Comparability of the accounts)

EARNINGS PER SHARE	*Notes*	Financial year 2010		2010 Restated		Financial year 2009		Financial year 2008	
Basic earnings per share	*28*	**13.36**		**13.36**		**5.01**		**3.95**	
Fully diluted earnings per share	*28*	**13.36**		**13.36**		**5.01**		**3.95**	

b- Gains and losses recognised directly in equity

(in thousands of euros)	**Financial year 2010**	**Financial year 2009**	**Financial year 2008**
Net profit	**26,596**	**9,980**	**7,865**
Translation differential	**11,583**	-2,218	1,747
Actuarial gains and losses on pension plans	**-392**	102	-109
Change in the value of derivatives	**-**	-	-
Total gains and losses recognised directly in equity	**11,191**	**-2,116**	**1,638**
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	**37,787**	**7,864**	**9,503**
Attributable to Group	**37,786**	**7,864**	**9,502**
Minority interests	1	-	1

20.1.3 Statement of changes in equity

(in thousands of euros)	Share capital	Capital reserves	Consolidated reserves	Profit for the year	Translation reserves	Actuarial gains and losses recognised for post-employment	Total Group share	Minority interests	Total
EQUITY AT 31/12/2007	**19,900**	**523**	**16,200**	**7,793**	**- 5,926**	**- 804**	**37,686**	**2**	**37,688**
Profit for the year	-	-	-	7,864	-	-	**7,864**	1	**7,865**
Other comprehensive income statement items	-	-	-	-	1,747	- 109	**1,638**	-	**1,638**
Total comprehensive profit for the year	-	**-**	**-**	**7,864**	**1,747**	**- 109**	**9,502**	**1**	**9,503**
Capital transactions	55,720	-	-	-	-	-	**55,720**	-	**55,720**
Share-based payments	-	-	-	-	-	-	-	-	-
Transactions in treasury shares	-	-	-	-	-	-	-	-	-
Appropriation of earnings	-	115	7,678	- 7,793	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	78	-	-	-	**78**	-	**78**
EQUITY AT 31/12/2008	**75,620**	**638**	**23,956**	**7,864**	**- 4,179**	**- 913**	**102,986**	**3**	**102,989**
Profit for the year	-	-	-	9,980	-	-	**9,980**	-	**9,980**
Other comprehensive income statement items	-	-	-	-	- 2,218	102	**- 2,116**	-	**- 2,116**
Total comprehensive profit for the year	**-**	**-**	**-**	**9,980**	**- 2,218**	**102**	**7,864**	**-**	**7,864**
Capital transactions	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Transactions in treasury shares	-	-	-	-	-	-	-	-	-
Appropriation of earnings	-	531	7,333	- 7,864	-	-	-	- 1	**- 1**
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	- 541	-	-	-	**- 541**	-	**- 541**
EQUITY AT 31/12/2009	**75,620**	**1,169**	**30,748**	**9,980**	**- 6,397**	**- 811**	**110,309**	**2**	**110,311**
Profit for the year	-	-	-	26,595	-	-	**26,595**	1	**26,596**
Other comprehensive income statement items	-	-	-	-	11,583	- 392	**11,191**	-	**11,191**
Total comprehensive profit for the year	**-**	**-**	**-**	**26,595**	**11,583**	**- 392**	**37,786**	**1**	**37,787**
Capital transactions	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Transactions in treasury shares	-	-	-	-	-	-	-	-	-
Appropriation of earnings	-	-	9,980	- 9,980	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	- 1	**- 1**
EQUITY AT 31/12/2010	**75,620**	**1,169**	**40,728**	**26,595**	**5,186**	**-1,203**	**148,095**	**2**	**148,097**

20.1.4 Cash flow statement

(in thousands of euros)	Financial year 2010	Financial year 2009	Financial year 2008
Consolidated net profit (including minority interests)	**26,596**	**9,980**	**7,865**
Net increase in depreciation, amortisation and provisions	**3,863**	3,811	1,082
Unrealised gains and losses relating to changes in fair value	**-**	-	-
Share-based payment expense	**-**	-	-
Other calculated income and expense	**544**	-453	-1,146
Gains and losses on disposal	**38**	8	4
Cash from operations after cost of net debt and tax	**31,041**	**13,346**	**7,805**
Cost of net financial debt	1,715	1,207	4,417
Income taxes (including deferred tax)	-3,046	5,365	5,757
Cash from operations before cost of net debt and tax (A)	**29,710**	**19,918**	**17,979**
Tax paid (B)	-6,587	-9,693	-4,863
Changes in operating working capital requirements (included liabilities related to employee benefits) (C)	701	-5,130	-1,520
Net cash from operating activities (D) = (A+B+C)	**23,824**	**5,095**	**11,596**
Purchase of tangible and intangible fixed assets	-2,876	-1,949	-904
Proceeds from sale of tangible and intangible fixed assets	2	-	-
Purchase of financial assets	-41	-190	595
Proceeds from sale of financial assets	123	99	170
Impact of changes in scope	-4	-	-86,683
Net cash from (used in) investing activities (E)	**-2,796**	**-2,040**	**-86,822**
Proceeds on issue of shares	-	-	55,720
Proceeds on the exercise of stock options	-	-	-
Purchase and proceeds from disposal of treasury shares	-	-	-
Dividends paid during the year	-	-	-
- Dividends paid to shareholders of Sopra Group SA	-	-	-
- Dividends paid to minority interests of consolidated companies	-	-	-
Change in borrowings	-	-99	-78
Change in current account - Sopra Group	-8,179	-1,876	25,525
Net interest paid (including finance leases)	-1,715	-1,207	-4,417
Other cash flow relating to financing activities	212	290	159
Net cash from (used in) financing activities (F)	**-9,682**	**-2,892**	**76,909**
Effect of foreign exchange rate changes (G)	-358	171	59
NET CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G)	**10,988**	**334**	**1,742**
Opening cash position	11,286	10,952	9,210
Closing cash position	22,274	11,286	10,952

Notes to the financial statements

20.1.5 Notes to the combined financial statements

In preparation for the planned initial public offering of Axway Software, combined financial statements have been prepared on the basis of the individual financial statements of entities within the Axway sub-consolidation group in accordance with IFRS using the principles of consolidation accounting applied for Sopra Group S.A.

In this context, these combined financial statements are not necessarily representative of the consolidated financial statements that would have been prepared had the spin-off of Axway occurred at a date earlier than that on which it actually occurred or is planned to occur.

Similarly, these combined financial statements, which represent a historical view of Axway's activities as part of Sopra Group S.A., do not reflect the economic situation arising from the spin-off as set out in the pro form financial statements presented in Section 20.3.

The scope of combination includes Axway Software and all of its subsidiaries (see Note 2). The combination methods used are set out in Note 1.3 below.

ACCOUNTING PRINCIPLES AND METHODS

Note 1 | Summary of main accounting methods

The main accounting methods used in preparing the combined financial statements are set out below. They have been applied consistently for all of the financial years presented.

1.1 Basis of preparation

Axway has prepared its financial statements for the year ended 31 December 2010 pursuant to the provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The date of the first-time adoption of IFRS corresponds to 1 January 2008 in the financial statements presented.

In application of the provisions of IFRS 1 relating to subsidiaries that adopt IFRS later than their parent, Axway has opted to draw up its first financial statements by measuring its assets and liabilities on the basis of the carrying amount as included in the parent's consolidated financial statements, after any adjustments made for the parent's consolidation procedures.

Accordingly, the amounts included in Axway's first financial statements under IFRS reflect the IFRS 1 options selected by the parent and were determined on the basis of the parent's date of transition to IFRS, which was 1 January 2004. In particular, business combinations prior to 1 January 2004 were not restated. Assets and liabilities arising on business combinations that occurred after 1 January 2004 were measured on the basis of the amounts used by the parent, in application of IFRS 3, for all business combinations prior to 1 January 2010.

The combined financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) and interpretations developed by IFRIC (International Financial Reporting Interpretation Committee), as adopted by the European Union and subject to mandatory application at 31 December 2010, and do not contain any discrepancies in relation to the standards published by the IASB (International Accounting Standards Board).

In accordance with IFRS 1, these standards and interpretations have been applied to the information for the three financial years presented, except as otherwise provided under IFRS 1.

In particular, as Axway opted to draw up its first financial statements under IFRS on the basis of carrying amounts used by the parent, IFRS 3 and IAS 27, as revised in 2008, have been applied as from 1 January 2010.

1.2 Application of new standards and interpretations

a. New mandatory standards and interpretations

The following standards have been adopted by the European Union and are subject to mandatory application for periods beginning on or after 1 January 2010:

- IAS 27 *Consolidated and Separate Financial Statements* (as revised in January 2008);
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, “Eligible Hedged Items”;
- Amendment to *IFRS 2 Share-Based Payment,* “Group Cash-Settled Share-Based Payment Transactions”;
- Annual improvements: amendment to IFRS 5 in relation to partial disposals of subsidiaries, as well as improvements to various standards,
- IFRS 3 *Business Combinations* (as revised in January 2008);
- IFRIC 12 *Service Concession Arrangements;*
- IFRIC 15 *Agreements for the Construction of Real Estate;*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation;*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners;*
- IFRIC 18 *Transfers of Assets from Customers*.

The entry into force of these standards had no impact on the Group’s financial statements.

b. Standards and interpretations adopted by the European Union and subject to early application

The financial statements do not take into account standards and interpretations published by the IASB and adopted by the European Union but which are applicable to periods beginning after 1 January 2010. This group of standards and interpretations includes in particular:

- IAS 24 *Related Party Disclosures* (revised version),
- Amendments to IAS 32 *Financial Instruments: Presentation,* “Classification of Subscription Rights Issues”;
- Amendment to IFRIC 14 *Prepayments of a minimum funding requirement,*
- IFRIC 19 *Extinguishing financial liabilities with equity instruments.*

c. Standards and interpretations published by the IASB but not yet adopted by the European Union

The Group did not opt for early application of any of these standards or interpretations. These factors are mainly:

- IFRS 9 *“Financial instruments” (phase 1: classification and measurement of financial assets),*
- IFRS 7 *“Disclosures – Transfers of financial assets”.*

d. Format of the financial statements

With regard to the presentation of the combined financial statements, Axway Software has decided to apply Recommendation 2009-R.03, dated 2 July 2009, of the Conseil National de la Comptabilité dealing with the format of the income statement, the cash flow statement and the statement of changes in shareholders’ equity.

However, the format of the income statement has been adjusted to improve the presentation of the business’s performance:

- amortisation charges in respect of allocated intangible assets arising from the impact of business combinations are now included within the calculation of *Profit from ordinary activities* and are no longer included in *Profit from extraordinary activities* so as to comply with AMF recommendations on the presentation of performance and financial statements in 2010 financial statements.

▪ a new measure known as *Profit from operating activities* has been introduced before *Profit from ordinary activities*; this new indicator is more commonly used in-house by management as a measure of business performance. This indicator corresponds to *Profit from ordinary activities* before the expense relating to the cost of services provided by the beneficiaries of share options and before amortisation charges in respect of allocated intangible assets.

▪ *Foreign exchange gains and losses* are presented as a separate item within *Other financial income and expenses*.

1.3 Combination methods

▪ Axway Software is the combining company.

▪ The companies over which Axway Software has full control have been combined using the full consolidation method. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists even when the parent owns one-half or less of the voting power of an enterprise when there is:

- power over more than one-half of the voting rights by virtue of an agreement with other investors,
- power to govern the financial and operating policies of the enterprise under a statute or an agreement,
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body, if control over the enterprise is exercised by this board or governing body, or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body, if control over the enterprise is exercised by this board or governing body;

▪ Axway Software does not exert significant influence or joint control over any entity.

▪ Axway Software does not, directly or indirectly, control any ad hoc company.

▪ Transactions between the combined companies as well as unrealised balances and profits on operations between Group companies are eliminated.

▪ The accounts of all combined companies are prepared as at 31 December. These accounts have, where applicable, been restated to ensure the consistency of accounting and valuation rules applied by the Group.

▪ The scope of combination is presented in Note 2.

1.4 Foreign currency translation

a. Functional and presentation currencies

Items included in the financial statements of each entity in the scope of combination are measured using the currency of the primary economic environment in which each entity operates, I.e. its "functional currency".

The combined financial statements are presented in euros, the functional and presentation currency of the parent company, Axway Software.

b. Translation of the financial statements of foreign subsidiaries

Group subsidiaries' functional currencies are their local currencies in which most of their transactions are denominated. The accounts of all entities in the scope of combination whose functional currency differs from the Group's presentation currency are translated into euros as follows:

▪ assets and liabilities are translated at rates applying at the balance sheet date;

▪ income, expenses and cash flows are translated at average rates for the period;

▪ foreign exchange gains or losses resulting from translation are recognised as a distinct component of equity under *Translation reserves*. All resulting foreign exchange differences are recognised as a distinct equity component under *Translation reserves*.

Foreign exchange differences arising from the translation of net investments in foreign operations are recognised in equity on consolidation. When a foreign operation is divested, the applicable accumulated translation difference is transferred to profit or loss as part of the gain or loss arising on disposal.

Goodwill and fair value adjustments arising on acquisition of foreign operations are treated as assets and liabilities of the operation and, as such, are translated at rates applying at the balance sheet date.

The scope of combination does not include any company operating in a hyperinflationary economy.

The applicable rates of exchange are presented in Note 35.

c. Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated to entities' functional currencies at rates applying on the transaction dates. The foreign exchange gains and losses arising on settlement, as well as those arising from the adjustment of foreign currency denominated monetary assets and liabilities to rates applying at the balance sheet date, are recognised in profit or loss with the exception of amounts recognised directly in equity in respect of cash flow hedging or hedging of the net investment in foreign operations.

1.5 Significant estimates and accounting judgments

The preparation of financial statements implies the use of estimates and assumptions in measuring certain combined assets and liabilities as well as certain income statement items. Management are also required to exercise judgment in the application of the Group's accounting policies.

Such estimates and judgments, which are continually updated, are based both on historical information and on reasonable anticipation of future events according to the circumstances. However given the uncertainty implicit in assumptions as to future events, the related accounting estimates may differ from the ultimate actual results.

a. Significant estimates and accounting assumptions

The main assumptions and accounting estimates liable to leave scope for material adjustments to the carrying amount of assets and liabilities in subsequent periods are as follows:

- the measurement of goodwill (see Notes 1.7 and 4);
- the measurement retirement commitments (see Notes 1.16 and 14);
- the recognition of income (see Note 1.19);
- measurement of deferred tax assets (see Note 1.13 and 8.3).

b. Significant judgments in the application of accounting policies

With the exception of those policies requiring accounting estimates, no judgment exercised by Management has had a material impact on the amounts recognised in the financial statements.

1.6 Business combinations

With effect from 1 January 2010, the Group has been applying the revised IFRS 3 standard on buying the assets and taking over the liabilities constituting a business. Acquisitions of assets or groups of assets not constituting a business are recognised in accordance with the standards applicable to those assets (IAS 38, IAS 16 and IAS 39).

The Group recognises all business combinations using the acquisition method, which consists of the following:

- measuring and recognising acquired identifiable assets, liabilities taken over and non-controlling investments (minority interests) at fair value at the acquisition date. The Group identifies and allocates these items on the basis of contractual terms, economic conditions and its accounting and management policies.
- measuring and recognising as goodwill, at the acquisition date, the difference between:
    - the sum of the acquisition cost of the acquiree and the amount of any minority interests in the acquiree, and
    - the net balance of the identifiable assets acquired and the liabilities taken over.

The acquisition date is the date that the Group effectively obtains control of the acquiree.

The acquisition cost corresponds to the fair value at the acquisition date of the consideration paid to the seller in return for control of the acquiree, excluding any consideration that forms part of a transaction separate from the acquisition of control.

If the initial accounting for a business combination can only be determined provisionally for the reporting period in which the combination was effected, the acquirer recognises the combination using provisional values. The acquirer must then recognise adjustments to these provisional values related to the completion of initial accounting within 12 months of the acquisition date.

1.7 Goodwill

For each business combination, the Group has the choice of recognising as an asset either partial goodwill (corresponding to its percentage interest only) or full goodwill (which also includes goodwill in respect of minority interests).

Where the calculation results in a negative goodwill figure (e.g. for an acquisition on favourable terms), the Group recognises the full amount of profit in the income statement.

Goodwill is allocated to cash-generating units for the purposes of impairment tests as set out in Note 1.11. Such tests are performed as soon as any indication of impairment is noted, and in any case at the balance sheet date of 31 December.

1.8 Intangible assets

a. Assets acquired externally

These relate to software packages recorded at cost as well as software packages, customer relations and distributor relations recognised at fair value in connection with the allocation of the purchase prices of entities acquired in business combinations. These assets are amortis ed using the straight-line method over five to fifteen years, depending on their estimated useful lives.

b. Assets generated internally

In application of IAS 38 *Intangible assets*:

- Research and development costs are charged to the income statement in the year they are incurred.
- Project development costs are capitalised if, and only if, all of the following can be demonstrated:
    - the technical feasibility of completing the intangible asset so that it will be available for use or sale,
    - the intention to complete the intangible asset and use or sell it,
    - the ability to use or sell the intangible asset,
    - the manner in which the intangible asset will generate probable future economic benefits,
    - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
    - the ability to measure reliably the expenditure attributable to the intangible asset during its development.

None of the development expenses for software have been recognised under intangible assets since the conditions described above were not satisfied in their entirety.

Given the specific nature of the software sales business, the determining criteria are the technical feasibility of completing the intangible asset and the manner in which the intangible asset will generate probable future economic benefits.

The risks and uncertainties inherent in software development mean that if a product's technical feasibility cannot be demonstrated until a demonstration version has been developed for presentation to prospective customers. Changes made between the demonstration version and the final version are usually not significant; consequently, any costs incurred during this phase of development, and which might be recognised on the balance sheet, are not material.

1.9 Property and equipment

Property and equipment essentially comprises fixtures, office furniture and equipment and IT equipment.

Property and equipment is measured at acquisition cost (excluding any borrowing costs) less accumulated depreciation and any impairment losses. No amounts have been revalued.

Depreciation is based on the straight-line method according to the expected useful economic lives of each fixed asset category as follows:

Fixtures	10 years
Equipment and tooling	3 to 5 years
Office furniture and equipment	5 to 10 years

Depreciation is applied against assets' acquisition cost after deduction of any potential residual value. Assets' residual values and expected useful lives are reviewed at each balance sheet date.

1.10 Leases

a. Finance leases

Leases of tangible fixed assets under which the Group retains substantially all the risks and rewards incidental to ownership of the assets are treated as finance leases. The related assets are recognised at the leased assets' fair value or, if less, at the present value of the minimum payments due under the leases.

Finance leases are recognised in Sopra Group S.A.'s balance sheet and partially recharged to Axway in line with the resources it consumes.

b. Operating leases

Leases of tangible fixed assets under which the lessor retains substantially all the risks and rewards incidental to ownership of the assets are treated as operating leases. The payments in respect of which are recognised as an expense on a straight-line basis over the duration of the applicable leases.

1.11 Impairment of assets

a. Cash-Generating Units

IAS 36 *Impairment of Assets* requires that an entity assess at each reporting date whether there is any indication that an asset may be impaired. If so, the asset's recoverable amount must be estimated.

Irrespective of whether there is any indication of impairment, an entity must also:

- test intangible assets with indefinite useful lives annually;
- test goodwill acquired in a business combination annually.

In practice, impairment testing is above all relevant to goodwill which comprises the essential portion of Axway Software's combined non-current assets.

Impairment testing is performed at the level of the cash-generating units (CGUs) to which assets are allocated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group's segmentation into cash-generating units is consistent with the operating structure of its businesses, its management and reporting structure and its segment reporting structure. Impairment testing involves comparing cash-generating units' carrying amounts with their recoverable amounts. A cash-generating unit's recoverable amount is the higher of its fair (generally market) value, less costs to sell, and its value in use.

The Axway group provides IT solutions for automatically managing data exchanges both within and outside a business.

Part of Axway's development in recent years has been by way of external growth, with the main acquisitions as follows: Cyclone Commerce in the United States in 2006, Atos's B2B software business in Germany in 2007 and Tumbleweed in the United States in 2008.

All products, whether developed in-house or associated with acquisitions, are integrated into the group's common technical platform.

Axway operates as a global vendor whose primary markets are the United States and Europe. The various software packages on the technical platform are distributed via sales subsidiaries which pay fees on their licence and maintenance income.

In light of product and market globalisation, a country-by-country analysis of contributions to the Axway group's results is of no economic interest. Cash inflows arising from business in a given country are therefore not considered as being independent of cash inflows generated by business in other countries, and Axway as a whole is considered as being the smallest grouping of assets that generates largely independent cash inflows. In other words, the fact that Axway operates as a vendor in a globalised market leads to the Group being treated as a single CGU for the purposes of impairment tests.

b. Methods used to determine recoverable value

The value in use of a CGU is determined using the present value of future cash flow method:

- cash flows for a plan period of five years, with cash flows for the first year of the plan based on the budget;
- cash flows beyond the five-year plan period used in value-in-use calculations are increased in line with historic long-term growth rates adjusted for inflation.

Cash flow projections for the explicit period are determined by taking into account:

- the general growth rate of the economy;
- the impact of technological advances in the sector.

The cash flows are discounted using a discount rate equal to:

- the ten-year risk-free money rate;
- supplemented by the market's risk premium multiplied by a sensitivity coefficient (β) specific to the entity.

c. Measurement of provisions for impairment

Impairment losses are recognised to the extent of any excess of a CGU's carrying amount over its recoverable amount. Impairment losses are first allocated against goodwill and are charged to profit or loss as part of *Other operating income expenses*.

1.12 Financial assets

The Group classifies its financial assets into the following categories:

- assets measured at fair value through profit or loss;
- held to maturity assets;
- loans and receivables; and
- assets available for sale.

Classification depends on the purposes for which financial assets were acquired. Management decides on the appropriate classification at the time of initial recognition and performs a reassessment at each interim or annual reporting date.

Financial assets are initially measured at their fair value. They are subsequently measured, depending on their classification, at fair value or at amortised cost.

a. Assets measured at fair value through profit or loss

This category comprises both financial assets held for trading (I.e. acquired with a view to resale in the near term) and those designated upon initial recognition as at fair value through profit or loss. Changes in the fair value of assets of this category are recognised in profit or loss.

b. Held to maturity assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that the Group has the intention and ability to hold to maturity. If any such asset is disposed of prior to maturity all other assets of the category must obligatorily be reclassified as available for sale. Assets held to maturity are otherwise measured, after initial recognition, at amortised cost.

The Group currently holds no assets classified within this category.

c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise the financial assets arising when the Group remits funds, or provides goods and services, to an individual or entity. Loans and receivables are initially recognised at fair value then subsequently measured at amortised cost using the effective interest rate method.

The Group has distinguished within this category:

- non-current financial assets comprising receivables associated with non-consolidated investments as well as guarantee deposits for leased property. Impairment losses are recognised for receivables associated with non-consolidated investments whenever their estimated recoverable amounts are lower than their carrying amounts; and

- current trade receivables initially measured at the nominal amounts invoiced which generally equate with the fair value of the consideration to be received. The impact of discounting would be negligible given that the Group's average credit period is of the order of sixty days. If necessary, impairment losses are recognised on an individual basis reflecting any problems of recovery.

d. Available for sale assets

Assets available for sale are those non-derivative financial assets not entering any of the above categories, whether or not the Group intends to dispose of them. Changes in the fair value of these assets are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses which are recognised in profit or loss.

The Group has included in this category its investments in non-consolidated entities over which it exercises neither control nor any significant influence.

As such investments comprise equity instruments whose price is not quoted in an active market, and whose fair value cannot otherwise be reliably measured, they are maintained at cost less any impairment losses. Their recoverable amount is estimated based on criteria such as the Group's share of entities' net assets and their outlook for growth and profitability. Any impairment losses recognised cannot subsequently be reversed.

1.13 Deferred tax

Deferred tax is recognised using the balance sheet liability method based on temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and their tax base.

Deferred tax assets and liabilities are measured for each entity or taxable unit on the basis of the tax rates in force, or substantially adopted, at the balance sheet date and expected to apply when assets will be realised or liabilities settled.

Deferred tax assets relating to both temporary differences and tax losses carried forward are recognised only to the extent that it appears probable that the future tax savings they represent will be achieved.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise liquidities, bank demand deposits, other highly liquid investments with maturities not exceeding three months and bank overdrafts. Bank overdrafts are included as part of *Short-term financial debt*.

Under IAS 7 cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Group applies the classification of UCITS proposed by the Association Française de Gestion (AFG) and the Association Française des Trésoriers d'Entreprise (AFTE) and adopted as the reasonable basis for recognition by the Autorité des Marchés Financiers (AMF):

- UCITS classified by the AMF as euro-denominated money-market instruments are presumed to satisfy the four criteria to be defined as cash equivalents under IAS 7;

- the eligibility of other UCITS to be considered as "cash equivalents" is not automatic but must be established with reference to the four criteria.

Cash equivalents are recognised at their fair value; changes in fair value are recognised in the income statement under *Other financial income and expense.*

1.15 Share-based payments

Not applicable.

1.16 Employee benefits

a. Short-term employee benefits and defined contribution post-employment benefits

The Group recognises the amount of short-term employee benefits, as well as the contributions due in respect of mandatory state-sponsored pension plans, in *Staff costs*. As the Group has no commitments beyond these contributions, no provision was recognised for these plans.

b. Defined benefit plans and other long-term employee benefits

These plans relate mainly to France, for the payment of pensions in accordance with collective bargaining agreements, and to a lesser extent Italy, for the payment of legally required post-employment benefits (Trattamento di Fine Rapporto).

The defined benefit plans are borne directly by the Group, which provides for the cost of the future benefits based on conditions below.

The Group uses the projected credit method to determine the value of its defined benefit obligation: this method stipulates that each period of service gives rise to an additional unit of benefit rights and values separately each of the units to obtain the final obligation.

The above calculations reflect various actuarial assumptions relating to matters such as the estimated periods of future service of employees, future salary levels, life expectancy and staff turnover.

The resulting benefit obligation is then discounted using an appropriate interest rate for first-rate corporate bonds denominated in the currency of payment of benefits and with a maturity approximating with the estimated average maturity of the benefit obligation.

A change in these estimates and hypotheses may lead to a significant change in the amount of the commitment.

The amount of the provision recognised for retirement and similar commitments corresponds to the present value of the obligation in respect of defined benefits, less unrecognised actuarial differences. Actuarial differences resulting from changes in the value of the discounted obligation in respect of defined benefits include on the one hand, the effects of differences between previous actuarial assumptions and actual data, and on the other hand, the effect of changes in actuarial assumptions.

From the financial year ended 31 December 2007 onwards, actuarial differences are fully recognised in equity, for all of the Group defined benefit plans, in conformity with the SoRIE option introduced by the amendment to IAS 19.

There are no pension commitments, medical cover, or long-service awards. No new benefits or changes in regime resulting from legal, collective-bargaining or contractual provisions occurred during the financial year.

1.17 Financial debt

Long-term liabilities and borrowings comprise essentially:

- the current account with Sopra Group S.A.: all bank borrowing is taken out directly by Sopra Group S.A., which refinances its subsidiaries by way of a cash management agreement;
- bank borrowings: these are initially recognised at their fair value, net of any transaction costs. Borrowings are subsequently recognised at amortised cost; any difference between the capital amounts borrowed, net of transaction costs, and the amounts repayable is recognised in profit or loss over the duration of the borrowings using the effective interest rate method;
- profit-sharing debt towards employees for amounts blocked in current accounts: this is subject to adjustment to take into account the existing variance between the contractual interest rate applied, and the applicable regulatory rate ceiling. Any such differential for a given year is recognised as part of financial debt and balanced by an additional charge to staff costs. It is then amortised as a deduction from financial expense over the following five years;
- current bank overdraft facilities.

Financial debt repayable within twelve months of the balance sheet date is classified within current liabilities.

1.18 Provisions

A provision is recognised when an obligation exists with respect to a third party originating subsequent to the balance sheet date and when the loss or liability is probable and may be reliably estimated.

To the extent that this loss or liability is not probable or may not be reliably estimated, a contingent liability is disclosed by the Group among its commitments given.

1.19 Revenue recognition

The applicable IAS is IAS 18 *Revenue*.

Services provided within the scope of the group's Software operations include:

- the right of use under licence of the software provided;
- maintenance;
- ancillary services: installation, configuration, adaptation, training, etc.

a. In general, separate contracts are concluded with clients for licences and maintenance on the one hand and ancillary services on the other hand

In this situation, the various elements comprising contracts are accounted for as follows**:**

- the licence fee is recognised when delivery takes place, which is reputed to be the case when all contractual obligations have been fulfilled, I.e. when any remaining services to be provided are insignificant and not liable to endanger the client's acceptance of goods supplied or services rendered;
- maintenance is generally billed in advance and is recognised on a time basis;
- ancillary services are generally provided on the basis of time spent and are recognised when performed, i.e. in general when invoiced. They are sometimes performed within the scope of lump sum contracts in which case they are recognised using the percentage of completion method described in the paragraph below.

b. Sometimes, contracts comprising multiple elements (licence, maintenance, ancillary services, etc.) may be negotiated on a lump sum basis

In this situation, the amount of revenue attributable to the licence is obtained by the difference between the total contract amount and the fair value of its other components: i.e. maintenance and ancillary services. The fair value of the other components is determined when possible on the basis of the list prices applying in the case of a separate sale or alternatively, on the basis of management's best estimate. The residual amount attributed to the licence is recognised at the time of delivery.

c. In fairly rare instances, ancillary services may be considered indispensable to a software package's functioning

This may be the case for very complex projects, the completion of which may be subject to particular risks. The project is then examined as a whole and is the focus of specific monitoring by the Quality Department. They are accounted for using the percentage of completion method described in the paragraph below.

d. Technical assistance, consulting, training and projects provided on an ongoing contract basis

These services are recognised when performed, i.e. in general at the time of invoicing.

Operations are reviewed at each balance sheet date:

- Services already performed but not yet, or only partially, invoiced are measured on the basis of billable time and the contractual billing rates. They are recognised as revenue and are included in the balance sheet under the *Accrued income* caption of *Trade accounts receivable*;

- services already billed but not yet entirely performed are deducted from invoiced revenue and included in the balance sheet under the *Deferred revenue* caption of *Other current liabilities*.

e. Services covered by fixed-price contracts

Under such contracts the group commits itself to a price, a result and a deadline. Revenue and profit generated by a contract are recognised on the basis of a technical assessment, in line with the group's quality procedures, of the contract's degree of completion.

1.20 Segment information

Axway's business represents a single segment within the segment information provided by Sopra Group in its consolidated financial statements.

Internal management information is made available to Axway's management on a publisher/distributor basis. Segment information specific to Axway is therefore organised in the same way.

1.21 Earnings per share

Earnings per share as stated in the income statement are calculated on the basis of the Group's share in the net profit as follows:

- basic earnings per share are based on the weighted average number of shares in issue during the financial year, calculated according to the dates when the funds arising from cash share issues were received and, in respect of shares issued for contributions in kind via equity, the date on which the corresponding new group companies were consolidated for the first time;

- diluted earnings per share are calculated by adjusting the Group share of net profit and the weighted average number of shares outstanding for the diluting effect of exercising share subscription option plans in force at the end of the financial year. The share buyback method has been applied at the market price, based on the average share price throughout the year.

Note 2 | Scope of combination

2.1 List of combined companies in 2010

Company	Country	% Control	% Held	Consolidation method
Axway Software	France	-	-	Parent company
Axway Distribution France SAS	France	100.0%	100.0%	FC
Axway Holding Distribution SAS	France	100.0%	100.0%	FC
Axway SAS	France	100.0%	100.0%	FC
Axway UK Ltd	United Kingdom	100.0%	100.0%	FC
Axway Nordic AB	Sweden	100.0%	100.0%	FC
Axway GmbH	Germany	100.0%	100.0%	FC
Tumbleweed Communications Holding GmbH	Switzerland	100.0%	100.0%	FC
Axway BV	Netherlands	100.0%	100.0%	FC
Axway Belgium	Belgium	100.0%	100.0%	FC
Axway Srl	Italy	100.0%	100.0%	FC
Axway Software Iberia	Spain	100.0%	100.0%	FC
Axway Romania Srl	Romania	100.0%	100.0%	FC
Axway Bulgaria EOOD	Bulgaria	100.0%	100.0%	FC
Axway Inc.	United States	100.0%	100.0%	FC
Axway Asia Pacific Pte Ltd	Singapore	100.0%	100.0%	FC
Axway Pte Ltd	Singapore	100.0%	100.0%	FC
Axway Software China	China	100.0%	100.0%	FC
Axway Ltd	Hong Kong	100.0%	100.0%	FC
Axway Software Sdn Bhd	Malaysia	100.0%	100.0%	FC
Axway Pty Ltd	Australia	100.0%	100.0%	FC
Axway Software Korea Corp.Ltd	South Korea	100.0%	100.0%	FC

FC: Fully consolidated.

2.2 Changes in the combination scope

a Newly combined and decombined entities

In a cash transaction in September 2008, Axway Software acquired 100% of the shares of Tumbleweed Communications Corp. in the United States, which itself owned Tumbleweed Communications Ltd in the United Kingdom, Tumbleweed Communications Pty in Australia, Tumbleweed Communications Pte Ltd in Singapore, Tumbleweed Communications Holding GmbH in Switzerland and Tumbleweed Communications EOOD in Bulgaria. The activities of Tumbleweed, the market leader in administered file transfer, electronic security and identity validation, were absorbed into Axway. Tumbleweed has been combined with effect from 1 September 2008.

There were no changes in scope during the 2009 and 2010 financial years.

b. Reorganisation of legal entities

At 31 December 2008, Axway Inc. had absorbed Tumbleweed Communications Corp. in the United States and Axway UK Ltd had absorbed Tumbleweed Communications Ltd in the United Kingdom.

The subsidiaries Tumbleweed Communications Pte Ltd in Singapore and Tumbleweed Communications Pty Ltd in Australia are in the process of liquidation, with their activities subsumed by other Axway subsidiaries.

These reorganisations have no impact on the combined financial statements.

Note 3 | Comparability of the accounts

- There were no changes in the scope of consolidation during the 2010 financial year.
- With effect from the 2010 financial year, the total amount of the expense relating to the *cotisation sur la valeur ajoutée des entreprises* (CVAE – a component based on the value added by a business each year) is included in the "Tax expense" item, in

accordance with the position adopted by the Group and the provisions of IAS 12. To ensure that the income statement can be compared with prior years, a “2010 adjusted” column has been added showing results before reallocation of the CVAE.

- In 2008, the main impacts of the acquisition of Tumbleweed Communications Corp (in September) were as follows:

(in millions of euros)	**2008**	**2008**
	Published	**Incl. impact of acquisitions on a full-year basis**
Revenue	171.2	197.2
Profit from recurring operations	20.2	22.8

Published 2008 revenue includes Tumbleweed for the period September-December. Tumbleweed’s contribution to consolidated revenue amounted to €13.7 million.

NOTES TO THE COMBINED BALANCE SHEET

Note 4 |Goodwill

4.1 Changes in goodwill

The principal movements in the financial years 2008, 2009 and 2010 are as follows:

(in thousands of euros)	**Gross value**	**Impairment**	**Net**
1 January 2008	**84,138**	**8,766**	**75,372**
Acquisitions			
Tumbleweed Communications	77,969	-	77,969
Adjustments relating to business combinations			
Axway Software GmbH – adjustment in the fair value of software packages acquired	-400	-	-400
Translation differential	2,878	-255	3,133
31 December 2008	**164,585**	**8,511**	**156,074**
Adjustments relating to business combinations			
Tumbleweed Corporation	1,054	-	1,054
Translation differential	-2,684	102	-2,786
31 December 2009	**162,955**	**8,613**	**154,342**
Adjustments relating to business combinations			-
Translation differential	11,586	256	11,330
31 DECEMBER 2010	**174,541**	**8,869**	**165,672**

Goodwill recorded in 2008 relates to the acquisition of Tumbleweed Communications. Since the various components of intangible assets acquired (software packages, customer relationships, distributor networks, etc.) were still being assessed at the end of the 2008 financial year, a provisional acquisition cost was recorded in respect of Tumbleweed in 2008. This provisional cost was validated and made final in 2009.

No additional acquisition cost was paid in 2009. The €1,054,000 adjustment corresponds to an adjustment to the opening balance sheet total resulting from a re-evaluation of the provision within the deadline for allocation. It relates to additional costs not anticipated at the transaction date in relation to a patent application in progress at the time of the transaction.

(in thousands of euros)	**Tumbleweed**
Acquisition price	100,535
Present value of earnouts	-
Acquisition-related expenses	1,749
Acquuisition price	**102,284**
Net assets acquired, excluding existing goodwill	2,645
Allocated intangible assets	21,670
GOODWILL	**77,969**

4.2 Adjustments to business combinations recognised in prior years

Axway Software GmbH – The fair value of Axway Software GmbH software packages acquired in February 2007 was re-estimated from €0.800 million to €1.200 million during the 2008 financial year.

Tumbleweed Communications Corp. – The €1.054 million adjustment in 2009 corresponds to an adjustment to the opening balance sheet total resulting from a re-evaluation of the provision within the deadline for allocation.

4.3 Impairment tests

Impairment test carried out at closing of the financial years 2008, 2009 and 2010 gave no rise to the recognition of impairment.

The impairment tests were performed under the conditions described in Note 1.11 using the following parameters:

	Discount rate			**Perpetuity growth rate**		
	31/12/2010	**31/12/2009**	**31/12/2008**	**31/12/2010**	**31/12/2009**	**31/12/2008**
UGT Axway	9.2%	9.0%	9.5%	2.5%	2.5%	2.5%

An analysis of the sensitivity of key indicators used (operating margin, discount rate and perpetual growth rate) in accordance with reasonable assumptions did not reveal any possible scenario under which the recoverable amount would fall below the carrying amount and would lead to the recognition of impairment losses.

a) Analysis of the sensitivity of the recoverable amount to changes in key assumptions for 2010:

	Discount rate used in 2010	**Increase in the discount rate of 0.5 points**
Growth rate used in 2010	-	-8.2%
Decrease in the growth rate of 0.5 points	-6.2%	-13.5%

Declines in value-in-use resulting from these combined changes in assumptions (-13.6%) would not have prompted the recognition of impairment at the balance sheet date.

The CGU's recoverable amount would be equal to its carrying amount if:

- the discount rate were to increase significantly: as high as 18.5%, or if

- the operating margin were to fall to 6.5%.

b) Analysis of the sensitivity of the recoverable amount to changes in key assumptions for 2009:

	Discount rate used in 2009	**Increase in the discount rate of 0.5 points**
Growth rate used in 2009	-	-9.6%
Decrease in the growth rate of 0.5 points	-7.2%	-15.7%

4.4 Translation differential

The translation differentials result mainly from changes in the value of the euro against:

Euro / foreign currency change *(in thousands of euros)*	**31/12/2010**	**31/12/2009**	**31/12/2008**
U S D (Axway Inc.)	8,417	-3,785	6,034
S E K (Axway Nordic AB)	2,765	1,094	-2,749
Other	148	-95	-152
TOTAL	**11,330**	**-2,786**	**3,133**

Note 5 | Intangible assets

(in thousands of euros)	**Gross value**	**Amortisation**	**Net**
1 January 2008	**7,401**	**6,530**	**871**
Changes in scope	10,446	9,937	509
Fair value measurements in respect of business combinations	21,670	-	21,670
Adjustments to the fair value of acquired software packages	400	-	400
Acquisitions	59	-	59
Disposals	-1,645	-1,645	-
Translation differential	1,886	576	1,310
Amortisation charge	-	951	-951
31 December 2008	**40,217**	**16,349**	**23,868**
Changes in scope	-	-	-
Acquisitions	344	-	344
Disposals	-8,619	-8,619	-
Other movements	3	3	-
Translation differential	-888	-170	-718
Amortisation charge	-	2,225	-2,225
31 December 2009	**31,057**	**9,788**	**21,269**
Changes in scope	-	-	-
Acquisitions	235	-	235
Disposals	-179	-150	-29
Other movements	-	-	-
Translation differential	1,967	355	1,612
Amortisation charge	-	2,242	-2,242
31 December 2010	**33,080**	**12,235**	**20,845**

Intangible assets essentially include non-proprietary software used in the Group's ordinary course of business as well as software and client and distributor relations acquired as part of external growth transactions.

As at 31 December 2007, the allocation of the acquisition cost of Axway Software GmbH had not been finalised. An amount of €0.800 million was allocated in respect of Axway Software GmbH on a provisional basis.

The 2008 fair value adjustment (€0.400 million) corresponds to a re-estimate of software packages belonging to Axway Software GmbH acquired in 2007 (see Note 4.2).

Changes in scope in 2008 correspond to the acquisition of Tumbleweed Communications Corp in the United States.

In allocating the acquisition cost of Tumbleweed Communications, an amount of €21.670 million was allocated in respect of software and customer and distributor relationships developed by the company. The amortisation periods applicable to these items are as follows:

- technology components (Mailgate, Secure Messenger, Secure Transport and Validation Authority): 15 years;
- customer base: 12 years;

- distribution network: 8 years.

No expense was incurred in developing the Group’s solutions and software was capitalised, either in 2010 or in previous years.

2009 disposals in the amount of €8.6 million correspond to the disposal of fully amortised intangible assets following the merger of Axway Inc. and Tumbleweed Communications Corp.

Note 6 | Property and equipment

(in thousands of euros)	**Furniture, fixtures, and fittings**	**IT equipment**	**TOTAL**
GROSS VALUE			
1 January 2008	**4,478**	**2,271**	**6,749**
Translation differential	9	403	412
Acquisitions	565	265	830
Disposals	-817	-1,260	-2,077
Changes in scope	1,515	6,924	8,439
31 December 2008	**5,750**	**8,603**	**14,353**
Translation differential	-100	-148	-248
Acquisitions	70	551	621
Disposals	-257	-21	-278
Other movements	456	292	748
Changes in scope	-	-17	-17
31 December 2009	**5,919**	**9,260**	**15,179**
Translation differential	228	593	821
Acquisitions	327	2,770	3,097
Disposals	-94	-268	-362
Changes in scope	-	-	-
31 December 2010	**6,380**	**12,355**	**18,735**
DEPRECIATION			
1 January 2008	**3,523**	**1,920**	**5,443**
Translation differential	44	366	410
Charges	436	526	962
Reversals	-805	-1,260	-2,065
Changes in scope	1,374	6,333	7,707
31 December 2008	**4,572**	**7,885**	**12,457**
Translation differential	-88	-242	-330
Charges	369	720	1,089
Reversals	-249	-21	-270
Other movements	510	238	748
Changes in scope	-	-17	-17
31 December 2009	**5,114**	**8,563**	**13,677**
Translation differential	210	565	775
Charges	396	760	1,156
Reversals	-95	-256	-351
Changes in scope	-	-	-
31 December 2010	**5,625**	**9,632**	**15,257**
NET VALUE			
31 December 2008	1,178	718	1,896
31 December 2009	805	697	1,502
31 December 2010	**755**	**2,723**	**3,478**

- Investments made by the Group in fixed assets primarily include office equipment in France and abroad and information technology equipment (central systems, work stations, and networks).
- Amounts included under disposals during the year correspond primarily to the scrapping of computer equipment each year after taking inventory, and premises for which leases were not renewed that the Group no longer occupies.

- Changes in scope in 2008 (the addition of assets with a gross value of €8.4 million and corresponding depreciation of €7.7 million) correspond to the acquisition of Tumbleweed Communications.

Note 7 |Financial assets

7.1 Categories of financial assets

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Assets at fair value through profit and loss	-	-	-
Held to maturity assets	-	-	-
Available for sale assets	-	-	-
Loans and receivables	650	688	618
TOTAL	**650**	**688**	**618**

7.2 Loans and receivables

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Receivables from unconsolidated equity interests - gross value	-	-	-
Provisions for receivables from unconsolidated equity interests	-	-	-
Receivables from unconsolidated equity interests - net value	**-**	**-**	**-**
Loans		-	3
Deposits and other non-current financial assets	650	688	615
Provisions for loans, deposits and other non-current financial assets	-		-
Loans, deposits and other non-current financial assets - net value	**650**	**688**	**618**
TOTAL	**650**	**688**	**618**

Deposits and other non-current financial assets consist mainly of guarantees given for the leased premises. Non-remunerated deposits are maintained at their nominal value, given that the effect of discounting is not significant.

Note 8 | Deferred tax assets and liabilities

8.1 Breakdown by maturity

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Deferred tax assets (DTA)			
- less than one year	2,516	303	616
- more than one year	15,426	8,215	2,093
TOTAL DTA	**17,942**	**8,518**	**2,709**
Deferred tax liabilities (DTL)			
- less than one year	-	-	-
- more than one year	-9,182	-7,173	-213
TOTAL DTL	**-9,182**	**-7,173**	**-213**
NET DEFERRED TAX	**8,760**	**1,345**	**2,496**

8.2 Change in net deferred tax

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
At 1 January	**1,345**	**2,496**	**1,481**
Changes in scope	-	-	-
Tax - income statement impact	7,273	-54	924
Tax - equity impact	205	-1,092	57
Translation differential	-63	-5	34
AT 31 DECEMBER	**8,760**	**1,345**	**2,496**

8.3 Breakdown of net deferred tax by type

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Differences related to consolidation adjustments			
Actuarial gains and losses recognised for post-employment obligations	532	347	429
Software depreciation and amortisation of revalued software	4,659	-	215
Fair value of amortisable allocated intangible assets	-6,879	-6,967	-
Discounting of employee profit sharing	112	63	93
Tax-driven provisions	-2,303	-206	-213
Activated tax losses	6,879	6,967	-
Temporary differences from tax returns			
Provision for pensions	993	830	672
Provision for employee profit sharing	584	254	562
Provision for Organic tax	61	49	54
Differences in amortisation periods	-	-	-
Provisions for investments	-	-	-
Tax audit: reintegrated provisions not taxable at a later date	-	-	684
Activated tax losses	4,116	-	-
Other	6	8	-
TOTAL	**8,760**	**1,345**	**2,496**

At 31 December 2009, deferred tax arising on the fair value measurement of amortisable intangible assets relates to the definitive allocation of the acquisition price for Tumbleweed, which resulted in the separate allocation of goodwill on the

identified amortisable intangible assets (€21.7 million). Consequently, a deferred tax liability was recognised in the amount of €6.9 million. In addition, a deferred tax asset was activated in respect of tax losses carried forward in the amount of the temporary differences generated by these allocated intangible assets.

In the course of the 2010 financial year, Axway Software was able to apply an exceptional capital cost allowance over 12 months in respect of an internal transfer from Axway Inc. in the amount of $18.2 million. This transaction generated net deferred tax of €2.5 million, consisting of a €4.6 million deferred tax asset (*Revalued amortisation on software packages*) and a €2.1 million deferred tax liability (*Regulated provisions*).

An assessment of the probability of recovery of losses carried forward by the Axway Inc. subsidiary led to deferred tax being activated up to the amount of expected taxable profits over the next two years, in the amount of $5.5 million (€4.1 million).

With regard to the Cotisation sur la Valeur Ajoutée des Entreprises (CVAE), a component based on the value added each year by the business and forming part of the new Contribution Economique Territoriale (CET), the replacement for the professional tax introduced by the French Finance Act for 2010, the Group has decided to recognise this component under corporate income tax in order to ensure consistency with the treatment of similar taxes in other countries. This approach is also consistent with the position adopted by Syntec Informatique and made public on 10 February 2010. At 31 December 2009, no deferred tax assets or liabilities had been recognised, as their impact was not material.

8.4 Deferred tax assets not recognised by the Group

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Tax losses carried forward	48,912	42,279	45,971
Temporary differences	373	2,232	361
TOTAL	**49,285**	**44,511**	**46,332**

8.5 Maturity of tax losses carried forward

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
N+1	17,864	19,035	11,169
N+2	20,270	15,534	8,358
N+3	1,100	19,380	7,471
N+4	703	1,777	7,250
N+5 and subsequent years	103,046	100,249	90,774
Tax losses carried forward with a maturity date	**142,983**	**155,975**	**125,022**
Tax losses which may be carried forward indefinitely	**20,767**	**7,430**	**9,611**
TOTAL	**163,750**	**163,405**	**134,633**
Deferred tax basis - activated	31,760	19,907	-
Deferred tax basis - not activated	131,990	143,498	134,632
Deferred tax - activated	10,995	6,967	-
Deferred tax - not activated	48,912	42,279	45,971

At 31 December 2010, deferred tax assets not activated on tax loss carry forwards came to €48.9 million and mainly concerned the following subsidiaries: Axway Inc (€41.9 million), Axway UK (€3.9 million), Axway Srl in Italy (€1.2 million) and Axway Pte Ltd in Singapore (€1.1 million).

In 2008, the tax loss carry forwards of Axway Inc. were mainly attributable to the acquisition of Tumbleweed Communications Corp. These tax loss carry forwards took into account a double cap (in time: 20 years; per year: $7 million) imposed by the US tax regulations in the event of a change of shareholder.

Note 9|Trade accounts receivable

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Trade accounts receivable	60,558	46,125	48,565
Accrued income	6,743	11,814	7,274
Accrued credit notes	- 981	- 3,912	- 678
Provision for doubtful debtors	- 555	- 701	- 1,315
TOTAL	**65,765**	**53,326**	**53,846**

An action plan launched at the end of 2008 to optimise the management of the client cycle by reducing contract work in progress and trade accounts receivable has helped to limit working capital requirements and improve cash flow from operating activities. In addition, the entry into effect of the French Law on the Modernisation of the Economy has facilitated the recovery of receivables in France.

Accrued income is comprised essentially of work performed in respect of licences and services recognised using the methods explained in Note 1.19.

Note 10| Other current receivables

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Staff and social security	178	271	1,142
Tax receivables (other than corporate income tax)	2,337	2,548	1,243
Corporate income tax	5,466	4,175	125
Other receivables	911	150	263
Prepaid expenses	2,279	2,297	2,986
TOTAL	**11,171**	**9,441**	**5,759**

Tax receivables of €2.3 million relate mainly to deductible VAT (of €1.6 million).

The increase in income tax receivables between 2008 and 2009 in relation to Axway Software is attributable to excess advance tax payments (on the basis of 2008 profit) compared to the tax ultimately due in respect of 2009.

Note 11| Cash and cash equivalents

The cash flow statement is presented on page 7.

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Investment securities	-	-	-
Cash and cash equivalents	22,379	11,287	11,584
Cash and cash equivalents	**22,379**	**11,287**	**11,584**
Current bank overdrafts	- 105	- 1	-632
TOTAL	**22,274**	**11,286**	**10,952**

Net cash and cash equivalents include available liquid funds (cash and positive bank balances), liquid marketable securities that meet the definition of cash equivalents as indicated in Note 1.14, bills of exchange presented for collection and falling due before the balance sheet date and temporary bank overdrafts.

Note 12| Equity

The combined statement of changes in equity is presented in Section 20.1.3 of this Prospectus.

12.1 Changes in share capital

At 31 December 2010, Axway Software SA had share capital of €75,620,000, comprising 1,990,000 shares with a nominal value of €38.

There were no changes during the 2009 and 2010 financial years.

On 10 December 2008, the Company increased its equity by incorporating receivables into capital. The corresponding increase in capital (€55,720,000) resulted in a €28 increase in the par value of each of the 1,990,000 shares.

12.2 Capital reserves

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Share issue, merger and contribution premium	-	-	-
Legal reserve	1,169	1,169	638
TOTAL	**1,169**	**1,169**	**638**

Changes in the 2008, 2009 and 2010 financial years relate solely to the appropriation of earnings to the legal reserve.

12.3 Capital management objectives, policy and procedures

The company's capital is uniquely comprised of the items disclosed in the balance sheet. There are no financial liabilities considered as components of capital and, conversely, there are no equity components not considered to be part of the company's capital.

The company does not operate under any external capital constraints.

Note 13| Financial debt

13.1 Net debt

(in thousands of euros)	Current	Non-current	31/12/2010	31/12/2009	31/12/2008
Bank loans	-	-	-	-	-
Current account - Sopra Group	-	68,432	68,432	76,600	78,476
Employee profit sharing	247	1,774	2,021	1,809	1,521
Other sundry financial debt	-	-	-	-	99
Current bank overdrafts	105	-	105	1	633
FINANCIAL DEBT	**352**	**70,206**	**70,558**	**78,410**	**80,729**
Investment securities	-	-	-	-	-
Cash and cash equivalents	-22,379	-	-22,379	-11,287	-11,584
NET DEBT	**-22,027**	**70,206**	**48,179**	**67,123**	**69,145**

Current account

Axway is fully financed by Sopra Group S.A. by way of current account advances.

Employee profit sharing

Profit sharing reserves for Axway Software staff are managed in the form of fixed-interest current accounts frozen over a period of five years. Under the terms of an agreement entered into in 2002, employees can also opt for external investment in multi-company investment funds.

Profit sharing liabilities are subject to adjustment to take into account the existing variance between the contractual interest rate applied, and the applicable regulatory rate ceiling.

13.2 Statement of changes in net debt

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
NET DEBT AT 1 JANUARY (A)	**67,123**	**69,145**	**45,280**
Cash from operations after cost of net debt and tax	**31,041**	**13,346**	**7,805**
Cost of net financial debt	1,715	1,207	4,417
Income taxes (including deferred tax)	-3,046	5,365	5,757
Cash from operations before changes in working capital	**29,710**	**19,918**	**17,979**
Income taxes paid	-6,587	-9,693	-4,863
Changes in working capital requirements	701	-5,130	-1,520
Net cash from operating activities	**23,824**	**5,095**	**11,596**
Change related to investing activity	-2,874	-1,949	-904
Net interest paid	-1,715	-1,207	-4,417
Available net cash flow	**19,235**	**1,939**	**6,275**
Impact of changes in scope	-4	-	-86,683
Financial investments	82	-91	765
Dividends	-	-	-
Capital increase in cash	-	-	55,720
Other changes	-11	2	-
TOTAL NET CHANGE DURING THE YEAR (B)	**19,302**	**1,850**	**-23,923**
Impact of changes in foreign exchange rates	-358	172	58
NET DEBT AT 31 DECEMBER (A-B)	**48,179**	**67,123**	**69,145**

Impact of changes in the scope of consolidation:

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Cost of acquisitions (excluding earnouts)	-	-	102,285
Portion remunerated in Sopra Group shares	-	-	-
Net debt/net cash of acquired companies	-	-	-16,602
Deferred payments	-	-	-
Earnouts paid in respect of prior year acquisitions	-	-	1,000
TOTAL	**-**	**-**	**86,683**

- In 2008, the impact of changes in the scope of consolidation was attributable to:
  - the acquisition of Tumbleweed for an amount of €102.285 million, less the cash and cash equivalents item in the amount of €16.602 million which appears in the balance sheet of the acquired entity, which equals a net amount of €85.683 million;
  - the payment of an additional cost of €1.000 million due in respect of the 2007 financial year for the acquisition of Axway Software GmbH.

Note 14| Provision for post-employment benefits

These provisions relate to two non-financed defined benefit plans in France and Italy.

(in thousands of euros)	01/01/2010	Change in scope	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision not used)	Other move ments	Change in actuarial differences	31/12/2010
France	3,418	-	415	-	-	-	596	4,429
Italy	693	-	120	-51	-	-	-	762
Germany	13	-	5	-	-3	-	-	15
TOTAL	**4,124**	**-**	**540**	**-51**	**-3**	**-**	**596**	**5,206**
Impact (net of expenses incurred)								
Profit from recurring operations			358		-3			
Financial items			182		-			
TOTAL			**540**		**-3**			

In France, the defined benefits scheme relates to the payment of retirement benefits. The Group provides for its commitments to employees in accordance with the provisions of the Syntec collective bargaining agreement with respect to the retirement scheme modified in 2004 pursuant to the retirement reform measures introduced by the Loi Fillon of 21 August 2003. Provisions for retirement benefits are recognised in accordance with the conditions in Note 1.16.

The main actuarial hypotheses retained for this plan are as follows:

	31/12/2010	31/12/2009	31/12/2008
Benchmark for discounting	Bloomberg rate	Bloomberg rate	10-year OAT
Discount rate for	4.10%	4.50%	3.70%
Future salary growth	2.50%	2.50%	2.50%
Age at retirement	65 years	65 years	65 years
Mortality table	Insee 2004-2006	Insee 2004-2006	Insee 2004-2006

Assumptions referring to mortality rates are based on published statistical data.

Turnover tables are established for each company concerned by five-year age groups and are updated at each balance sheet date to reflect separation data for the last five years.

Retirement benefit commitments are discounted using a discount rate corresponding to the interest rate of prime corporate bonds (carrying a rating of AA or higher) denominated in the payment currency, the maturity period of which is close to the average estimated length of the retirement obligation concerned.

Since 31 December 2009, the Group has used Bloomberg rates for the euro zone as the benchmark for the discounting of its retirement obligations. The 4.10% discount rate used for 2010 was obtained by determining the average of the following as at 31 December 2010:

- the *Bloomberg indus – AA 10-year rate* of 3.87% (source: EUR Indust Zero Cpn AA+/AA 4), and
- the *Bloomberg comp – AA 10-year rate* of 4.33% (source: EUR Comp Zero Cpn AA+/AA).

A ±1.0 point change in the discount rate would have an impact of about (-)€601k/+€724k on the total commitment.

Assumptions relating to procedures for departures take into account legal developments in order to reflect the Group's best estimates at the balance sheet date.

- The Social Security Financing Act for 2008 introduced a contribution to be paid by the employer as part of the benefits due to an employee whose retirement is at the request of the employer. This contribution is 50% and is applicable irrespective of the age of the employee.
- With effect from 1 January 2009, an employer may no longer unilaterally require employees to retire unless they have reached the age of 70. For employees between the ages of 65 and 70, the employer may not make any retirement decisions of its own accord before asking the employees whether or not they would like to retire voluntarily;
- The French retirement reform law dated 9 November 2010 raised the legal age at which retirement benefits are payable from 60 to 62 years progressively until 2018 (treatment depends on six birth date categories). The age at which the full rate is granted automatically when the required time period for insurance has not been reached has also been raised: it will increase from 65 to 67 years progressively from 1 July 2016 until 2023.

The series of changes are considered by the Group as changes in actuarial assumptions for the following reasons:

- the changes introduced by the Act do not have a direct impact on the gross amount received by employees;

- the agreements in force at the date of entry into application of the Act have not yet been amended: benefits awarded to employees may change at a later date once a new agreement has been concluded;
- the abandonment of an existing departure procedure and the introduction of a new contribution to the benefits paid in the event of retirement at the request of the employer entail the adjustment by the Group of its actuarial assumptions as defined under IAS 19.

Table showing the change in provision for retirement indemnities (France)

(in thousands of euros)	Present value of the obligation not financed	Unrecognised actuarial differences	Net commitments recognised in the balance sheet	Taken to the income statement
1 January 2008	**2,688**	**-**	**2,688**	**293**
Past service cost	207	-	207	207
Financial cost	136	-	136	136
Benefits paid to	-	-	-	-
Change in actuarial	166	-	166	-
31 December 2008	**3,197**	**-**	**3,197**	**343**
Past service cost	248	-	248	248
Financial cost	128	-	128	128
Benefits paid to	-	-	-	-
Change in actuarial	-155	-	-155	-
31 December 2009	**3,418**	**-**	**3,418**	**376**
Past service cost	250	-	250	250
Financial cost	165	-	165	165
Benefits paid to	-	-	-	-
Change in actuarial	596	-	596	-
31 December 2010	**4,429**	**-**	**4,429**	**415**

Analysis of the change in recognised actuarial differences

Actuarial differences result solely from the changes in present value of the obligation, in the absence of scheme assets.

These differences include the effects of changes in actuarial assumptions and the effects of the differences between the actuarial assumptions used and actual experience (experience adjustments detailed below).

The actuarial loss recognised in 2010 (€596k) was mainly the result of:

- experience impacts on liabilities (upward adjustment in the commitment amounting to €249k),
- the 0.4 percentage point fall in the discount rate used compared with 31 December 2009 (increase in liabilities of around €217k),
- the updating of turnover rates over five years (increase in the obligation of around €130k).

The actuarial gain recognised in 2009 (€155k) was mainly the result of:

- experience impacts on liabilities (downward adjustment in the commitment amounting to €185k),
- the 0.80 percentage point rise in the discount rate used compared with 2008 (decrease in liabilities of around €335k),
- the updating of turnover rates over five years and assumptions relating to departure procedures (increase in the obligation of around €365k).

The actuarial loss recognised in 2008 (€166k) was the result of:

- experience impacts on liabilities (downward adjustment in the commitment amounting to €123k),
- the 1 percentage point fall in the discount rate used compared with 2007 (increase in liabilities of €385k),

- the updating of turnover rates over five years and the mortality table used (decrease in the obligation of €96k).

Experience adjustments arising on scheme liabilities are presented in the table below:

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Present value of defined benefit scheme obligations	4,429	3,418	3,197
Experience adjustments on scheme liabilities	249	-185	-123
Experience adjustments on scheme liabilities (as % of obligations)	5.62%	-5.41%	-3.85%

The breakdown by maturity of the French retirement benefit commitment, discounted to the present value of 4.10%, is shown in the table below:

(in thousands of euros)	31/12/2010
Present value of theoretical benefits to be paid by the employer:	
- less than one year	37
- 1 to 2 years	-
- 2 to 3 years	-
- 3 to 4 years	156
- 4 to 5 years	328
- 5 to 10 years	1,352
- 10 to 20 years	1,840
- more than 20 years	716
TOTAL COMMITMENT	**4,429**

In Italy, the defined benefits scheme relates to the payment of regulatory termination benefits (Trattamento di Fine Rapporto). These payments are calculated as a proportion of the employee's gross annual salary and are linked to the price index issued by the Italian Institute of Statistics (ISTAT).

Note 15| Non-current provisions

Changes in provisions 2008

(in thousands of euros)	01/01/2008	Change in scope	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision not used)	Other movements	31/12/2008
Provisions for disputes	154	-	5	-14	-	-	145
Provisions for guarantees	980	-	510	-	-880	-	610
Other provisions for contingencies	898	-	-	-363	-469	-	66
Sub-total provisions for	**2,032**	**-**	**515**	**-377**	**-1,349**	**-**	**821**
Other provisions for losses	230	-	15	-6	9	-91	157
Sub-total provisions for losses	**230**	**-**	**15**	**-6**	**9**	**-91**	**157**
TOTAL	**2,262**	**-**	**530**	**-383**	**-1,340**	**-91**	**978**
Impact (net of expenses incurred)							
Profit from recurring operations			530		-1,340		
Financial items			-		-		
TOTAL			**530**		**-1,340**		

- The accounts of Axway Software GmbH include a €0.610 million warranty provision.

Changes in provisions 2009

(in thousands of euros)	01/01/2009	Change in scope	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision not used)	Other movements	31/12/2009
Provisions for disputes	145	-	-	-4	-24	-	117
Provisions for guarantees	610	-	590	-	-520	-	680
Other provisions for contingencies	66	-	-	-	-1	-	65
Sub-total provisions for	**821**	**-**	**590**	**-4**	**-545**	**-**	**862**
Other provisions for losses	157	-	135	-131	-7	20	174
Sub-total provisions for	**157**	**-**	**135**	**-131**	**-7**	**20**	**174**
TOTAL	**978**	**-**	**725**	**-135**	**-552**	**20**	**1,036**
Impact (net of expenses incurred)							
Profit from recurring			725		-552		
Financial items			-		-		
TOTAL			**725**		**-552**		

- The accounts of Axway Software GmbH include a €0.680 million warranty provision.
- Provisions for disputes mainly relate to labour arbitration proceedings, severance pay and a few trade disputes.

Changes in provisions 2010

(in thousands of euros)	01/01/2010	Change in scope	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision not used)	Other movements	31/12/2010
Provisions for disputes	117	-	-	-	-	-	117
Provisions for guarantees	680	-	620	-	-590	-	710
Other provisions for contingencies	65	-	11	-	-	-	76
Sub-total provisions for contingencies	**862**	**-**	**631**	**-**	**-590**	**-**	**903**
Other provisions for losses	174	-	7	-	-68	139	252
Sub-total provisions for losses	**174**	**-**	**7**	**-**	**-68**	**139**	**252**
TOTAL	**1,036**	**-**	**638**	**-**	**-658**	**139**	**1,155**
Impact (net of expenses incurred)							
Profit from recurring operations			625		-658		
Financial items			13		-		
TOTAL			**638**		**-658**		

Note 16| Other non-current liabilities

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Fixed asset liabilities - portion due in more than one year	-	-	-
Employee profit sharing during the year	1,909	735	1,808
Contingent advances	-	-	-
Derivatives	-	-	-
TOTAL	**1,909**	**735**	**1,808**

Employee profit sharing represents amounts booked to staff costs for the year by Axway Software. These amounts increase financial debt for the following year.

Note 17| Trade payables

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Trade accounts payable	7,460	8,074	9,199
Trade accounts payable - advances and payments on account, accrued credit notes	-	-	-
TOTAL	**7,460**	**8,074**	**9,199**

Note 18| Other current liabilities

(in thousands of euros)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Fixed asset liabilities - portion due in less than one year	521	65	51
Staff cost liabilities	26,475	18,033	19,547
Tax liabilities (excluding corporate income tax)	8,040	7,195	12,211
Corporate income tax	540	1,590	2,954
Deferred income	29,243	24,066	27,171
Other liabilities	21	- 25	779
Derivatives	-	-	-
TOTAL	**64,840**	**50,924**	**62,713**

At 31 December 2010, all earnouts related to acquisitions have been paid. No additional acquisition cost was paid in 2009. A €1.054 million adjustment was made in 2009 in connection with the 2008 acquisition of Tumbleweed. This corresponds to an adjustment to the opening balance sheet following a re-estimation of provisions during the allocation period (see Note 4.1 above).

Staff cost liabilities include only amounts owed to social security bodies and employees.

Tax liabilities primarily correspond to value added tax collected from clients: the amount payable in respect of the month of December and the VAT collected on trade accounts receivable.

Deferred income comprises primarily the portion of billings issued in advance on fixed-price and maintenance contracts.

NOTES TO THE COMBINED INCOME STATEMENT

Note 19| Revenue

19.1 Revenue by activity

(in millions of euros)	Financial year 2010		Financial year 2009		Financial year 2008	
Licences	77.9	37.4%	61.2	33.6%	61.5	35.9%
Maintenance	78.6	37.7%	71.5	39.2%	56.2	32.8%
Services	51.9	24.9%	49.5	27.2%	53.5	31.3%
TOTAL REVENUE	**208.4**	**100.0%**	**182.2**	**100.0%**	**171.2**	**100.0%**

19.2 International revenue

(in millions of euros)	Financial year 2010		Financial year 2009		Financial year 2008	
France	80.0	38.4%	69.4	38.1%	67.3	39.3%
International	128.4	61.6%	112.8	61.9%	103.9	60.7%
TOTAL REVENUE	**208.4**	**100.0%**	**182.2**	**100.0%**	**171.2**	**100.0%**

Note 20| Purchases consumed

(in thousands of euros)	Financial year 2010	Financial year 2009	Financial year 2008
Purchases of subcontracting services	10,998	12,055	13,221
Purchases held in inventory of equipment and supplies	607	507	533
Purchases of merchandise and change in stock of merchandise	1,926	1,398	327
TOTAL	**13,531**	**13,960**	**14,081**

Note 21| Staff costs

21.1 Breakdown of staff costs

(in thousands of euros)	Financial year 2010	Financial year 2009	Financial year 2008
Salaries	102,224	90,320	79,781
Social charges	26,575	24,820	22,367
Employee profit sharing	2,079	780	1,808
TOTAL	**130,878**	**115,920**	**103,956**

21.2 Workforce

Workforce at year end	Financial year 2010	Financial year 2009	Financial year 2008
France	597	598	598
International	1,064	1,016	1,054
TOTAL	**1,661**	**1,614**	**1,652**

Average workforce	Financial year 2010	Financial year 2009	Financial year 2008
France	603	601	599
International	1,037	1,037	838
TOTAL	**1,640**	**1,638**	**1,437**

21.3 Employee profit-sharing and incentive schemes

Pursuant to the application of IAS 32 and 39, liabilities in respect of profit sharing were subject to a restatement described in Notes 1.17 and 13.1.

In 2010, employee profit sharing totalled €1.747 million for Axway Software. In 2009, it was €0.735 million and in 2008, it was €1.808 million.

In 2009, an incentive agreement was concluded by Sopra Group for a term of three years. The agreement includes Axway Software. The total incentive amount for 2010 was €2.406 million. In accordance with French law, this new agreement entitles beneficiaries to a tax credit of 20% in 2009.

Note 22| External expenses

(in thousands of euros)	Financial year 2010		Financial year 2009		Financial year 2008	
Leases and charges	9,583	27.4%	9,223	28.8%	7,503	24.2%
Maintenance and repairs	1,227	3.5%	1,062	3.3%	863	2.8%
External structure personnel	371	1.1%	219	0.7%	212	0.7%
Remuneration of intermediaries and fees	2,235	6.4%	4,498	14.0%	5,774	18.6%
Advertising and public relations	3,134	9.0%	2,361	7.4%	2,128	6.9%
Travel and entertainment	9,850	28.2%	9,682	30.2%	9,809	31.7%
Telecommunications	2,920	8.4%	2,625	8.2%	1,847	6.0%
Sundry	5,628	16.1%	2,399	7.5%	2,829	9.1%
TOTAL	**34,948**	**100%**	**32,069**	**100%**	**30,965**	**100%**

Note 23| Depreciation, amortisation and provisions

(in thousands of euros)	Financial year 2010	Financial year 2009	Financial year 2008
Amortisation of intangible assets	298	369	229
Depreciation of property and equipment	1,156	1,089	962
Depreciation and amortisation	**1,454**	**1,458**	**1,191**
Impairment of current assets net of unused reversals	- 48	- 410	482
Provisions for contingencies and losses net of unused reversals	321	568	-480
Provisions and impairment	**273**	**158**	**2**
TOTAL	**1,727**	**1,616**	**1,193**

Note 24| Amortisation of allocated intangible assets

This item corresponds to the amortisation in respect of intangible assets acquired in the framework of the acquisition of companies (mainy Tumbleweed) for a total of €1.944 million in 2010, €1.856 million in 2009 and €0.722 million in 2008.

Note 25| Other operating income and expenses

In 2010, this item included a total of €3.583 million in non-recurring expenses arising from the project to spin off the Company from Sopra Group S.A. This amount consisted mainly of external consultancy fees and project-specific costs.

In 2008, this item includes non-recurring expenses (€1.168 million) arising on the acquisition of Tumbleweed in the United States in September 2008: these expenses were provisions for severance pay and the costs of administrative staff leaving the company.

Note 26| Financial income and charges

26.1 Cost of net financial debt

(in thousands of euros)	**Financial year 2010**	**Financial year 2009**	**Financial year 2008**
Income from cash and cash equivalents	10	1	-
Interest charges	-1,725	-1,208	-4,417
TOTAL	**-1,715**	**-1,207**	**-4,417**

Interest expenses mainly consist of the interest expense charged to Axway Software in respect of the debt arising from the Sopra Group S.A. current account. This expense fell in 2009 after part of the Sopra Group S.A. current account (€55.720 million) was incorporated into Axway's capital at the end of 2008.

26.2 Foreign exchange gains and losses

Foreign exchange gains and losses mainly relate to commercial transactions denominated in foreign currencies.

Foreign exchange gains and losses relating to inter-company loans are considered as an integral part of the Group's net investment in the foreign subsidiaries concerned and are recognised as a distinct component of equity under *Translation reserves* in application of IAS 21.

(in thousands of euros)	**Financial year 2010**	**Financial year 2009**	**Financial year 2008**
Foreign exchange gains	1,299	1,567	730
Foreign exchange losses	-1,459	-1,641	-1,199
TOTAL	**-160**	**-74**	**-469**

26.3 Other financial charges and expense

(in thousands of euros)	Financial year 2010	Financial year 2009	Financial year 2008
Reversals of provisions	-	-	-
Proceeds on the disposal of financial assets	-	-	-
Other financial income	59	39	220
Total other financial income	**59**	**39**	**220**
Charges of provisions	-14	-	-2
Discounting of retirement commitments	-182	-127	-136
Discounting of employee profit sharing	35	57	41
Discounting of earnouts in respect of companies acquired	-	-	-
Change in the value of derivatives	-	-	-
Net carrying amounts of financial assets sold	-	-	-
Other financial expense	-31	25	74
Total other financial expense	**-192**	**-45**	**-23**
TOTAL	**-133**	**-6**	**197**

Discounting of retirement commitments: see Note 14.

Discounting of employee profit sharing: see Note 13.1.

Note 27| Tax charge

27.1 Analysis

(in thousands of euros)	Financial year 2010	Financial year 2010 Restated	Financial year 2009	Financial year 2008
Current tax	4,227	3,182	4,273	6,681
Deferred tax	- 7,273	- 7,273	1,092	- 924
TOTAL	**- 3,046**	**- 4,091**	**5,365**	**5,757**

27.2 Reconciliation between the theoretical and effective tax charge

(in thousands of euros)	Financial year 2010	Financial year 2010 restated	Financial year 2009	Financial year 2008
Net profit	26,592	26,592	9,980	7,865
Tax charge	3,046	4,091	-5,365	-5,757
Impairment of goodwill	-	-	-	-
Profit before tax	23,546	22,501	15,345	13,622
Theoretical tax rate	**34.43%**	**34.43%**	**34.43%**	**34.43%**
Theoretical tax charge	**-8,107**	**-7,747**	**-5,283**	**-4,690**
Reconciliation				
Permanent differences	731	731	-501	-461
Impact of non-capitalised losses for the year	30	30	-568	-2,675
Use of non-activated losses carried forward	4,367	4,367	292	1,228
Impact of tax credits	1,711	1,711	863	512
CVAE reclassification (net of tax)	-685	-	-	-
Capitalisation of previous losses carried forward	4,152	4,152	-	-
Tax rate differences - France/Other countries	552	552	-121	332
Prior year tax adjustments	-	-	-	81
Other	295	295	-47	-84
Actual tax charge	**3,046**	**4,091**	**-5,365**	**-5,757**
Effective tax rate	**-12.94%**	**-18.18%**	**34.96%**	**42.26%**

27.3 Tax reassessments

In 2008, Axway's Software's 2005 underwent an inspection. The tax authorities issued a reassessment proposal. A provision of €1.112 million was set aside for the tax reassessments accepted. Deferred tax of €0.684 million was recorded in respect of a disputed amount relating to provisions whose future release would not be subject to tax, resulting in a net impact of €0.428 million. Agreement was reached with the tax authorities on this basis in February 2009.

The tax reassessment in respect of 2009 has been definitively closed and had no impact on 2009, although it was provided for in the 2008 financial statements.

Note 28| Earnings per share

(in euros)	Financial year 2010	Financial year 2009	Financial year 2008
Net profit - Group share	26,595,368	9,979,516	7,863,700
Weighted average number of ordinary shares in issue	1,990,000	1,990,000	1,990,000
BASIC EARNINGS PER SHARE	**13.36**	**5.01**	**3.95**

(in euros)	Financial year 2010	Financial year 2009	Financial year 2008
Net profit - Group share	26,595,368	9,979,516	7,863,700
Weighted average number of ordinary shares in issue	1,990,000	1,990,000	1,990,000
Weighted average number of securities retained in respect of dilutive items	-	-	-
Weighted average number of shares retained for the calculation of diluted net earnings per share	1,990,000	1,990,000	1,990,000
FULLY DILUTED EARNINGS PER SHARE	**13.36**	**5.01**	**3.95**

OTHER INFORMATION

Note 29| Segment information

29.1 Breakdown of intangible assets by category

Intangible assets by category			
(in thousands of euros)	**Gross value**	**Amortisation**	**Carrying amount**
Market software	3,863	3,365	498
Dedicated software	18,815	6,746	12,069
Client relations	9,355	1,819	7,536
Distributor relations	1,048	306	742
Other intangible assets	6	6	0
At 31 December 2010	**33,087**	**12,242**	**20,845**
(in thousands of euros)	**Gross value**	**Amortisation**	**Carrying amount**
At 31 December 2009	**31,057**	**9,788**	**21,269**
Market software	387	439	-52
Dedicated software	976	1,251	-275
Client relations	678	708	-30
Distributor relations	76	143	-67
Other intangible assets	-87	-87	0
At 31 December 2010	**33,087**	**12,242**	**20,845**

29.2 Amortisation period by type of intangible assets

Intangible asset	**Amortisation period**
Software available on the market	3/4 years
Dedicated software	10/15 years
Client relations	12 years
Distributor relations	8 years

29.3 Geographical breakdown of revenue

(in thousands of euros)	Financial year 2010		Financial year 2009		Financial year 2008	
Europe	131,877	63.3%	120,875	66.3%	126,265	73.8%
Americas	72,402	34.7%	57,155	31.4%	42,166	24.6%
Asia Pacific	4,142	2.0%	4,188	2.3%	2,756	1.6%
TOTAL REVENUE	**208,421**	**100%**	**182,218**	**100%**	**171,187**	**100%**

(in thousands of euros)	France	United Kingdom	Spain	Other European countries	United States	Other zones	TOTAL
Goodwill	4,180	-	-	44,297	116,154	1,041	**165,672**
Intangible assets	167	-	-	714	19,964	-	**20,845**
Property and equipment	1,637	69	14	790	953	15	**3,478**
Trade accounts receivable	30,437	2,321	1,596	10,341	19,839	1,231	**65,765**

Note 30| Derivatives reported in the balance sheet

a. At 31 December 2010

	31/12/2010		Breakdown by class of derivative instrument					
(in thousands of euros)	Balance sheet value	Fair value	Assets and liabilities at fair value through profit and loss	Available for sale assets	Loans, receivables and other liabilities	Financial debt at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through equity
Financial assets	650	650	-	-	650	-	-	-
Trade accounts receivable	65,765	65,765	-	-	65,765	-	-	-
Other current receivables	11,171	11,171	-	-	11,171	-	-	-
Cash and cash equivalents	22,379	22,379	22,379	-	-	-	-	-
FINANCIAL ASSETS	**99,965**	**99,965**	**22,379**	**-**	**77,586**	**-**	**-**	**-**
Financial debt - long-term portion	1,774	1,774	1,774	-	-	-	-	-
Current account - Sopra Group	68,432	68,432	-	-	68,432	-	-	-
Other non-current liabilities	1,909	1,909	1,909	-	-	-	-	-
Financial debt - short-term portion	352	352	352	-	-	-	-	-
Trade payables	7,460	7,460	-	-	7,460	-	-	-
Other current liabilities	64,840	64,840	-	-	64,840	-	-	-
FINANCIAL LIABILITIES	**144,767**	**144,767**	**4,035**	**-**	**140,732**	**-**	**-**	**-**

The fair value of trade accounts receivable, other current receivables, trade payables and other current liabilities is the same as the balance sheet value, owing to their very short settlement times.

b. At 31 December 2009

(in thousands of euros)	31/12/2009		Breakdown by class of derivative instrument					
	Balance sheet value	Fair value	Assets and liabilities at fair value through profit and loss	Available for sale assets	Loans, receivables and other liabilities	Financial debt at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through equity
Financial assets	688	688	-	-	688	-	-	-
Trade accounts receivable	53,326	53,326	-	-	53,326	-	-	-
Other current receivables	18,352	18,352	-	-	18,352	-	-	-
Cash and cash equivalents	11,287	11,287	11,287	-	-	-	-	-
FINANCIAL ASSETS	**83,653**	**83,653**	**11,287**	**-**	**72,366**	**-**	**-**	**-**
Financial debt - long-term portion	1,610	1,610	1,610	-	-		-	-
Current account - Sopra Group	76,600	76,600	-	-	76,600	-	-	-
Other non-current liabilities	735	735	735	-	-	-	-	-
portion	200	200	200	-	-		-	-
Trade payables	8,074	8,074	-	-	8,074	-	-	-
Other current liabilities	59,835	59,835	-	-	59,835	-	-	-
FINANCIAL LIABILITIES	**147,054**	**147,054**	**2,545**	**-**	**144,509**	**-**	**-**	**-**

c. At 31 December 2008

(in thousands of euros)	31/12/2008		Breakdown by class of derivative instrument					
	Balance sheet value	Fair value	Assets and liabilities at fair value through profit and loss	Available for sale assets	Loans, receivables and other liabilities	Financial debt at amortised cost	Derivatives at fair value through profit or loss	Derivatives at fair value through equity
Financial assets	618	618	-	-	618	-	-	-
Trade accounts receivable	53,846	53,846	-	-	53,846	-	-	-
Other current receivables	11,526	11,526	-	-	11,526	-	-	-
Cash and cash equivalents	11,584	11,584	11,584	-	-	-	-	-
FINANCIAL ASSETS	**77,574**	**77,574**	**11,584**	**-**	**65,990**	**-**	**-**	**-**
Financial debt - long-term portion	1,336	1,336	1,336	-	-	-	-	-
Compte courant - Sopra Group	78,476	78,476	-	-	78,476	-	-	-
Other non-current liabilities	1,808	1,808	1,808	-	-	-	-	-
Financial debt - short-term portion	917	917	917	-	-	-	-	-
Trade payables	9,199	9,199	-	-	9,199	-	-	-
Other current liabilities	62,713	62,713	-	-	62,713	-		
FINANCIAL LIABILITIES	**154,449**	**154,449**	**4,061**	**-**	**150,388**	**-**	**-**	**-**

Note 31| Financial risk factors

31.1 Credit risk

At present, the Company's clients are the main source of any credit risk to which it might be exposed. The Group's software packages are designed to handle millions of transactions and are particularly useful for major organisations engaged in high-volume business activities. This also implies that a single licensing agreement may represent several million euros. However, owing to its diversified revenue streams, the Group is not dependent upon any particular client.

a. Maturity of accounts receivable

31 December 2010

(in thousands of euros)	Carrying value	Of which impaired	Of which: neither impaired nor past due at the balance sheet date	Of which: not impaired at the balance sheet date but past due, with the following breakdown					
				Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Receivables (including doubtful debtors)	60,558	558	49,388	4,966	1,804	945	1,198	920	779

31 December 2009

(in thousands of euros)	Carrying value	Of which impaired	Of which: neither impaired nor past due at the balance sheet	Of which: not impaired at the balance sheet date but past due, with the following breakdown					
				Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Receivables (including doubtful debtors)	46,125	703	34,580	5,834	1,634	1,292	859	673	550

31 December 2008

(in thousands of euros)	Carrying value	Of which impaired	Of which: neither impaired nor past due at the balance sheet date	Of which: not impaired at the balance sheet date but past due, with the following breakdown					
				Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Receivables (including doubtful debtors)	48,565	1,315	31,890	7,737	3,731	1,317	1,063	640	872

b. Statement of changes in provisions for doubtful receivables

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Provisions for trade accounts receivable at 1 January	**701**	**1,315**	**1,104**
Charges	16	-51	725
Reversals	-196	-576	-682
Changes in scope	-	-	180
Translation differential	34	13	-12
PROVISIONS FOR TRADE ACCOUNTS RECEIVABLE AT 31 DECEMBER	**555**	**701**	**1,315**

31.2 Liquidity risk

Liquidity risk arises when assets are longer term than liabilities. This can result in an inability to repay short-term debt if the company is unable to sell the asset in question or obtain bank credit lines.

Liquidity risk was nil as at 31 December 2010, since Axway's business is financed by Sopra Group S.A. (see Sopra Group's 2010 Reference Document, Notes 14 and 33.2).

At 31 March 2011, the Company was indebted to Sopra Group S.A. in the amount of €42.8 million (€68.4 million at 31 December 2010) under a cash management agreement dated 19 December 2001 whose interest rate, set at 2.5% for 2011, is adjustable annually (see Note 31.2 of Section 20.1). By an instrument dated 27 April 2011, Sopra Group S.A. and Axway established that this agreement would be maintained in force until 31 December 2012 and that Axway would have access to the amounts made available by Sopra Group S.A. until that date, but that the amounts transferred would be subject to early repayment should the proposed capital increase be completed, whose proceeds would be used, on a priority basis, for the reimbursement of these amounts.

In addition, at the date of this Prospectus, the Axway group has received a firm commitment dated 21 April 2011 from a group of lending institutions having agreed to participate in a €100 million "club deal" (comprising the following banks: BNP Paribas, CIC Lyonnaise de Banque, Crédit Agricole Corporate and Investment Bank, HSBC France, Crédit Lyonnais and Société Générale) involving a medium-term credit facility (with a contractual maturity of five years as from the date of the initial listing). Société Générale's financing teams are involved in the arrangement of the €100 million medium-term credit facility and Geninfo, a Société Générale subsidiary, is a Sopra Group S.A. shareholder (see Section 18.1), a potential source of conflicts of interest.

The definitive agreements will be signed before the date of the initial listing of the Company's shares and the funds will be made available to the Company as from this date. In addition to this medium-term line of credit, bank overdrafts in the amount of €20 million will also be available at the date of the initial listing. These credit facilities may not be allocated to the repayment of current account advances (see Section 10.5).

However, the Company's net debt may not exceed certain limits in order to maintain compliance with three ratios set under covenants (R1, R2 and R3, details of which are provided below), applicable from the moment funds are made available and calculated on the basis of Axway's consolidated financial statements (under IFRS):

$$R1 = \frac{\text{Net debt}}{\text{EBITDA}^{6}}$$

This ratio must remain lower than 3 until 30 June 2013, after which date it must remain lower than 2.5.

Net debt as included in the calculation for these ratios does not take into account liabilities related to employee profit sharing.

$$R2 = \frac{\text{Operating profit}}{\text{Net borrowing cost}}$$

This ratio must be higher than 5.

$$R3 = \frac{\text{Net debt}}{\text{Equity}}$$

This ratio must be lower than 1.

The net borrowing cost as included in the calculation for this ratio does not take into account liabilities related to employee profit sharing.

[6] Earnings before interest, tax, depreciation and amortisation (EBITDA) refers, for any rolling 12-month period, to the operating profit as reported in the Company's consolidated financial statements, before deducting the amount reported under "*Net increase in depreciation, amortisation and provisions*" in the Company's consolidated financial statements, plus the operating profit, before deducting the amount reported under "*Net increase in depreciation, amortisation and provisions*", of any company that was an acquiree for the period preceding its acquisition date.

At 31 December 2010, the calculation of these ratios gives the following results:

R1 = 1.58

R2 = 14.9

R2 = 0.31

These ratios were determined after including the current account advance from Sopra Group S.A. under financial liabilities.

Apart from these financial ratios, the Company has made a certain number of representations and warranties, and has undertaken commitments with its banks, all of which are in keeping with standard procedures for this type of financing, particularly with respect to restructuring efforts, acquisitions and disposals of certain assets, and the granting of a pledge relating to Axway's business goodwill, including in particular its client base, leasehold, equipment, goods and tools, its trade name, trademark or service mark and company name. For information, at 31 December 2010, all intangible assets taken together represented a gross value of €33.080 million and a net carrying amount of €20.845 million (see Note 5 above).

The following table shows the non-discounted contractual cash flows of consolidated net debt at 31 December 2010:

(in thousands of euros)	Carrying value	Total contractual flows	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Bank loans	-	-	-	-	-	-	-	-
Current account - Sopra Group	68,432	68,432	-	-	-	-	-	68,432
Finance lease liabilities	-	-	-	-	-	-	-	-
Employee profit sharing	2,021	4,638	249	424	505	579	503	2,378
Other sundry financial debt	-	-	-	-	-	-	-	-
Current bank overdrafts	105	105	105	-	-	-	-	-
Financial debt	**70,558**	**73,175**	**354**	**424**	**505**	**579**	**503**	**70,810**
Investment securities	-	-	-	-	-	-	-	-
Cash and cash equivalents	-22,379	-22,379	-22,379	-	-	-	-	-
CONSOLIDATED NET DEBT	**48,179**	**50,796**	**-22,025**	**424**	**505**	**579**	**503**	**70,810**

31.3 Market risk

Foreign exchange risk

The wide geographic distribution of the Group's operations entails the use of several different currencies. A significant proportion of the Group's assets, liabilities, revenue and expenses is denominated in currencies other than the euro, mainly the US dollar and, to a lesser extent, the Swedish krona and the pound sterling, while the Group's consolidated financial statements are euro denominated.

The exposure to risk arising from trade transactions is limited, since each of the entities involved mainly carries out business in its own country and its own currency.

Furthermore, as part of its intra-group transactions, the Group is exposed to the risk of currency fluctuations in respect of:

- the invoicing of services provided from a centre located in Romania. The impact of these currency fluctuations on profit or loss is in principle negligible in view of the regularity of settlements;
- the invoicing of licence fees by the Group to subsidiaries operating in a functional currency other than the euro. The impact of these currency fluctuations on profit or loss is not significant;
- borrowings and loans in foreign currencies related to intra-group financings. The impact of these currency fluctuations is taken to equity. These money flows are not systematically hedged. However, the Group contracts specific hedges for all large individual foreign currency transactions.

At 31 December 2010, the net carrying amount of assets and liabilities recognised by Group entities in a currency other than their functional currency was as follows:

At the date of this Prospectus, the Company does not plan to enter into any forward currency contracts to hedge commercial transactions.

Inter-company commercial transactions

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	TOTAL
Assets	8,571	841	1,373	893	1,739	2,262	15,679
Liabilities	8,310	122	146	117	-	64	8,759
Foreign currency commitments	-	-	-	-	-	-	-
Net position before hedging	**261**	**719**	**1,227**	**776**	**1,739**	**2,198**	**6,920**
Hedging instruments	-	-	-	-	-	-	-
Net position after hedging	**261**	**719**	**1,227**	**776**	**1,739**	**2,198**	**6,920**

Sensitivity analysis

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	TOTAL
Currency change assumption (appreciation)	5%	5%	5%	5%	5%	5%	-
Impact on profit	**13**	**36**	**61**	**39**	**87**	**110**	**346**
Impact on equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Current accounts

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	TOTAL
Assets	9,218	-	1,950	-	709	-	11,877
Liabilities	-	931	403	1,085	-	-	2,419
Foreign currency commitments	-	-	-	-	-	-	-
Net position before hedging	**9,218**	**-931**	**1,547**	**-1,085**	**709**	**-**	**9,458**
Hedging instruments	-	-	-	-	-	-	-
Net position after hedging	**9,218**	**-931**	**1,547**	**-1,085**	**709**	**-**	**9,458**

Sensitivity analysis

(in thousands of euros)	USD	GBP	EUR	SEK	SGD	Other	TOTAL
Currency change assumption (appreciation)	5%	5%	5%	5%	5%	5%	
Impact on profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impact on equity	**461**	**-47**	**77**	**-54**	**35**	**-**	**472**

N.B. In the income statement, this expense would impact financial items.

Note 32| Related party transactions

32.1 Compensation paid to key management personnel

Axway's directors did not receive any compensation or directors' attendance fees for financial years 2009 and 2010.

The Company's Combined General Meeting of 28 April 2011 decided to allocate directors' fees in the amount of €250,000 in respect of the 2011 financial year.

Detailed information on compensation paid to Christophe Fabre is provided in the table below.

(in USD)	2009		2010	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Christophe Fabre				
Fixed compensation	$329,178	$329,178	$349,205	$349,205
Variable compensation	$138,040	$143,432	$280,000	$138,040
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Value of benefits in kind*	$95,617	$95,617	$110,433	$110,433
Value of share subscription options	-	-	-	-
Value of performance-based shares	-	-	-	-

* The benefits in kind enjoyed by Christophe Fabre primarily comprise a company vehicle and living accommodation.

The amounts shown in the table above do not include social security contributions paid in France, which came to €87,713 in 2009 and €84,273 in 2010.

32.2 Transactions with the parent company and companies related to the parent company

The following table details transactions between the Axway group and:

- Sopra Group S.A. (Sopra Group S.A.'s parent company), and
- Other companies in Sopra Group.

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Transactions with the parent company			
Sales of goods and services	2,970	1,958	2,108
Purchases of goods and services	-11,179	-10,139	-11,053
Operating receivables	330	494	454
Operating payables	-2,616	-3,152	-3,057
Financial expenses	-1,503	-1,026	-3,131
Financial debt (current account)	-68,432	-76,600	-78,477
Transactions with companies related to the parent company			
Sales of goods and services	67	254	95
Purchases of goods and services	-2,727	-2,918	-3,830
Operating receivables	96	128	99
Operating payables	-725	-1,243	-894
Financial expenses	-	-	-
Financial debt (current account)	-	-	1

Purchases of goods and services from the parent company relate to the use of premises and IT equipment, internal subcontracting and non-recurring expenses of €3,853k arising from the project to spin off Axway from Sopra Group S.A. (see note 25).

32.3. Subsidiaries and associated entities

Transactions and balances between Axway Software and its subsidiaries are eliminated in full when their accounts are combined, since all the subsidiaries are fully combined.

32.4 Relationships with other related parties

None.

Note 33| Off balance sheet commitments and contingent liabilities

33.1 Contractual obligations

Contractual obligations	Payments due per period			31/12/2010	31/12/2009	31/12/2008
(in thousands of euros)	Less than one year	One to five years	More than five years			
Long-term liabilities	-	-	-	-	-	-
Current account - Sopra Group	-	68,432	-	68,432	76,600	78,476
Finance lease obligations	-	-	-	-	-	-
Employee profit sharing	247	1,774	-	2,021	1,809	1,521
Other sundry financial debt	-	-	-	-	-	99
Current bank overdrafts	105	-	-	105	1	633
TOTAL	**352**	**70,206**	**-**	**70,558**	**78,410**	**80,729**

Other commercial commitments	Amount of commitments per period			31/12/2010	31/12/2009	31/12/2008
(in thousands of euros)	Less than one year	One to five years	More than five years			
Credit lines	-	-		-	-	-
Letters of credit	-	-		-	-	-
Guarantees	-		-	-	-	-
Purchase obligations	-	-	-	-	-	-
Other commercial commitments	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**

NIL

Sopra Group S.A. currently guarantees Axway Inc.’s leases in Phoenix (Arizona). This guarantee is for a maximum amount of $2.7 million and reduces over time as the lease runs.

In commitments received, Axway Software has an unused €1 million borrowing facility.

33.2 Commitments given related to recurring operations

(in thousands of euros)	31/12/2010	31/12/2009	31/12/2008
Discounted notes not yet due	-	-	-
Bank guarantees / deposits on leased premises	187	-	-
Bank guarantees for effective project completion	-	-	-
Collateral, guarantees, mortgages and sureties	-	-	-
Exchange rate hedging instruments	-	-	-

33.3 Covenants

There are no covenants other than those mentioned in Note 31.2 above, relating to the line of credit granted under a “club deal”, which will apply as from the date when the funds are made available.

33.4 Contingent liabilities

There are no contingent liabilities to be recognised.

Note 34| Exceptional events and legal disputes

To the Company's knowledge, there are no exceptional events or legal disputes that may have a material effect on its financial position, revenue, business assets or performance, or those of the Group as a whole (see Section 4.5.1).

Note 35| Conversion rates for foreign currencies

€1 / Currency	Average rate for the period			Period-end rate		
	Financial year 2010	Financial year 2009	Financial year 2008	31/12/2010	31/12/2009	31/12/2008
Swiss franc	1.3795	1.5075	1.5769	1.2504	1.4836	1.4850
Pound sterling	0.8576	0.8895	0.7999	0.8608	0.8881	0.9525
Swedish krona	9.5374	10.5766	9.6637	8.9654	10.2520	10.8696
Romanian leu	4.2093	4.2413	3.6963	4.2620	4.2363	4.0225
Bulgarian lev	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Moroccan dirham	11.1495	11.2546	11.3456	11.1744	11.3329	11.2778
US dollar	1.3243	1.3923	1.4646	1.3362	1.4406	1.3917
Canadian dollar	1.3640	1.5809	1.5635	1.3322	1.5128	1.6998
Australian dollar	1.4415	1.7559	1.7389	1.3136	1.6008	2.0274
Hong Kong dollar	10.2891	10.7921	11.3960	10.3853	11.1709	10.7863
Singapore dollar	1.8040	2.0228	2.0686	1.7136	2.0194	2.0040
Yuan (China)	8.9646	9.5098	10.1348	8.8222	9.8350	9.4958
Rupee (India)	60.5327	67.3164	64.3915	59.7729	67.0400	69.0608
Ringitt (Malaysia)	4.2589	4.9057	4.8893	4.0950	4.9326	4.8047
Korean won	1,538.4615	1,767.3245	1,612.9032	1,492.5373	1,666.9700	1,851.8519

20.2 Statutory Auditors’ report on the combined consolidated financial statements to 31 December 2010, 2009 and 2008

Mr. Chairman,

In our capacity as Axway Software’s statutory auditors and in response to your request in the context of the planned admission to trading of Axway Software’s shares on the NYSE Euronext regulated market in Paris, we have conducted an audit of Axway Software’s combined consolidated financial statements for the years ended 31 December 2010, 2009 and 2008, presented in accordance with IFRS standards as adopted within the European Union, as attached to this report.

These combined consolidated financial statements were prepared under the responsibility of the Chairman of the Board of Directors. Our role is to express an opinion on these financial statements on the basis of our audit.

We have conducted our audit in accordance with generally accepted French auditing standards. These standards require that we carry out verifications so as to obtain reasonable assurance that the combined consolidated financial statements are free from material misstatement. An audit consists of verifying, on a test basis or through the use of any other selection methods, the evidence supporting amounts and disclosures included in the financial statements. An audit also includes an assessment of the accounting policies used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. We believe that the evidence we have been able to gather provides a sufficient and appropriate foundation upon which to base our audit opinion.

In our opinion, in accordance with Regulation (EC) 809/2004, the combined consolidated financial statements prepared for the purposes of this Prospectus set out a true and fair view, in all material respects and in relation to IFRS standards as adopted within the European Union, of the business assets and financial position of the entities included within the scope of consolidation as at 31 December 2010, 2009 and 2009, together with the net profit arising from their activities during each of the financial years ending on those dates.

This report is issued solely for the purposes of the admission to trading of Axway Software shares on the NYSE Euronext regulated market in Paris, in which the Prospectus approved by the AMF is notified, and may not be used for any other purpose.

Paris and Courbevoie, 29 April 2011

The Statutory Auditors

AUDITEURS & CONSEILS ASSOCIES
FRANÇOIS MAHE

MAZARS
CHRISTINE DUBUS

20.3 Pro forma consolidated financial statements at 31 December 2010, 2009 and 2008

20.3.1 Basis of preparation of the pro forma financial statements

In order to provide an economic view across the scope of Axway, the company has prepared combined financial statements for the 2010, 2009 and 2008 financial years. These combined financial statements have been prepared on the basis of the financial statements of companies historically consolidated in Sopra Group S.A.’s accounts.

Axway has used these combined financial statements as a basis for preparing pro forma financial statements. These financial statements are intended to simulate the effects of Axway being spun off from Sopra Group S.A. as if the spin-off had taken effect on 1 January 2008, and as if Axway had operated as a separate, independent listed group with effect from that date.

These pro forma financial statements are published for illustrative purposes only. As such, they are not necessarily representative of the financial position or performance that would have been observed had the transaction or event occurred at a date earlier than that on which it actually occurred or is planned to occur. Neither should they be taken as a prediction of Axway's financial position or performance in future financial years.

The pro forma financial statements analysed in this Section have been prepared in accordance with IFRS standards as adopted by the European Union, and should be read in conjunction with the combined financial statements for the 2010, 2009 and 2008 financial years.

Principal adjustments in the pro forma financial statements

Accordingly, the pro forma adjustments set out below are simulations based on the described methodology and conventions. They should not be taken as being representative of the results, financial position, cash position or performance of Axway Group that would have been observed if Axway Group had actually operated as a distinct, independent listed group with effect from 1 January 2008.

Income statement by function

The combined income statement found in Section 20.1 is presented in accordance with the "income statement by nature" model generally used in Sopra Group's financial statements.

In accordance with Recommendation No. 2009-R.03 by the Conseil National de la Comptabilité (French national accounting board), Axway's future published financial statements will include an "income statement by function", a model better suited to packaged software vendors.

i. Revenue

Revenue includes the three components of packaged software publishing and sales: licences, maintenance and services.

Licences
Revenue corresponds to fees recognised in respect of licences for the use of Axway's software packages.

Maintenance
Maintenance revenue represents annual fees paid by customers in order to be eligible for updates and technical support. These maintenance fees are covered by software package usage agreements.

Services
When setting up software packages on customers' information systems, Axway staff may be asked to provide integration services (installation, configuration, training, etc.). These services are generally billed on the basis of time spent, though they are sometimes included within a single all-inclusive project fee.

ii. Cost of sales

Products
The cost of licence sales corresponds to software fees paid to third parties where Axway products include external components, server costs where products are delivered on physical platforms and sundry expenses (documentation, shipping costs, etc.).

The cost of maintenance sales corresponds to costs associated with technical staff providing technical support (payroll expenses and a proportion of overheads).

Services
The cost of services sales corresponds to employee expenses in respect of project staff involved in the integration of Axway products. These costs include staff payroll expenses, direct costs arising from projects (travel expenses and expenses associated with project-specific technical environments) and a proportion of overheads.

iii. Gross profit margin

This is a measure of the company's ability to finance its research and development programmes and cover its selling expenses and overheads.

iv. Operating expenses

Research and development expenses

Research and development expenses include employee expenses in respect of staff involved in designing and developing software packages, together with costs associated with the development environment (computer hardware, development tools, computerised networks, etc.).

The research tax credit recognised in the French entity's financial statements is deducted from research and development expenses.

Sales and marketing expenses

Selling expenses include payroll expenses in respect of staff working for distribution businesses and group marketing, as well as overheads associated with distribution.

General and administrative expenses

This category of expenses includes senior management, the Chief Operating Office, Legal Division, Human Resources and all support functions involved in the administrative management of maintenance.

v. Profit from operating activities

This is a measure of operating performance before amortisation of intangible assets acquired, the cost of stock options and other operating income and expenses.

vi. Profit from recurring operations

This is a measure of operating performance after amortisation of intangible assets acquired and the cost of stock options, but before other operating income and expenses.

vii. Operating profit

This is a measure of the company's performance before net financial income and tax.

viii. Net profit

Net profit is calculated after taking into account the cost of net financial debt, other financial income and expenses and tax.

Adjustments applied to pro forma balance sheets

ix. Net financial debt

In the past, Axway has mainly been financed by way of current account financing between Sopra Group S.A. and Axway under the terms of a cash management agreement. This current account stood at €68.4 million as at 31 December 2010, €76.6 million at end 2009 and €78.5 million at end 2008. Furthermore, Axway was in a positive cash position in each of the three financial years in question: €22.4 million at end 2010, €11.3 million at end 2009 and €11.6 million at end 2008.

The spin-off and listing will not result in any changes to Axway's financial structure. In an instrument dated 27 April 2011, Sopra Group S.A. and Axway Software agreed to maintain this agreement until 31 December 2012 and that Axway Software may use the funds made available to it until this date, unless these funds are repaid in advance from the proceeds of the planned capital increase, as agreed.

At the date of its listing, the Company shall have at its disposal a medium-term (five years from the date of the first spin-off) borrowing facility under the terms of a "club deal" in respect of which the lending banks has given a firm commitment of €100 million as of this writing, together with a €20 million overdraft facility. The Company's net financial debt may not, however, exceed certain limits defined by three contractual ratios (R1, R2, R3) applicable from the date at which the funds are made available (see Section 4.3 and Note 31.2 of Section 20.1). Furthermore, these borrowing facilities may not be used to repay the current account (see Section 10.5).

The proceeds of the new equity issue to be carried out after the spin-off will be used to repay the Sopra Group S.A. current account. Up to the date of the new equity issue, Axway will have at its disposal two sources of financing: the Sopra Group S.A. current account and the syndicated loan.

The Sopra Group current account is therefore shown as a financial debt on both the combined and the pro forma balance sheets.

x. Equity

The spin-off does not result in any difference between combined and pro forma equity.

Adjustments applied to pro forma income statements

xi. Operating profit

No adjustments have been applied to items contributing to operating profit.

Axway became a subsidiary in 2001 and has been operationally independent for many years. The Company has its own production, sales, and research and development resources.

Some support functions (management information systems, IT resources, human resources, legal and finance) were partly provided by Groupe Sopra, and charged out by Sopra Group S.A. to Axway on an actual cost basis. In addition, as part of preparations for the spin-off, a plan to make Axway functionally completely independent was implemented, leading to a significant reduction in these amounts charged out by Sopra Group from 2009 onwards.

Consequently, Axway's revenue, profit from ordinary activities and operating profit as set out in the combined financial statements in this Prospectus and in the segment information in Sopra Group S.A.'s reference document (Section 5, Note 31) represent a true and fair view of its economic performance.

No adjustments will be applied to this operational part of the income statement between the combined and pro forma financial statements.

It should be noted that both the combined and the pro forma 2010 financial statements include (-)€3,583k in implementation costs relating to the spin-off from Sopra Group S.A., recorded under Other income and expenses. The spin-off will also generate non-recurring costs in 2011, which will be recorded under Other income and expenses in the first half of 2011.

xii. Net financial income

The Group's external financing is provided in full by Sopra Group S.A. Accordingly, the cost of financial debt in the combined financial statements mainly consists of interest on the current account between Sopra Group S.A. and Axway.

In preparing the 2010, 2009 and 2008 pro forma financial statements, net financial income has been recalculated based on the interest terms applicable to the syndicated loan, as follows:

- bank covenants were calculated for every half-year in the 2010, 2009 and 2008 financial years to determine the profit ratio;
- this profit ratio was applied to 3-month Euribor and non-utilisation fees for the periods in question;
- in calculating pro forma net financial income, no assumptions were made as to interest rate hedging.

The difference between the cost of net financial debt shown in the combined financial statements and the recalculated cost shown in the pro forma financial statements is broken down as follows for each of the three financial years in question:

In thousands of euros	**2010**	**2009**	**2008**	**Total**
Combined cost of net financial debt	-1,715	-1,207	-4,417	-7,339
Pro forma cost of net financial debt	-1,838	-2,589	-5,678	-10,105
Difference in cost of net financial debt	**-123**	**-1,382**	**-1,261**	**-2,766**
Impact of corporate income tax	42	476	434	952
Impact on net profit	**-81**	**-906**	**-827**	**-1,814**

Since Axway is financed by the French holding company, a corporate income tax rate of 34.43% has been assumed.

For 2010, the difference between the combined and pro forma cost of net financial debt, at (-)€0.123 million, is not material, and its impact on net profit is (-)€81 thousand.

Furthermore, the cumulative impact on net profit over all three financial years represents (-)€1.814 million, compared with consolidated equity of €148.095 million at end 2010.

Given the non-material impact of these adjustments on 2010 net profit and consolidated equity, no adjustments will be applied between the combined and pro forma financial statements.

However, an income statement by function will be included in the pro forma financial statements, in line with the presentation to be adopted by the Company with effect from the 2011 financial year. The statement of financial position, statement of gains and losses recognised directly in equity, statement of changes in equity and statement of cash flows will be presented in the same way as those set out in the combined financial statements.

20.3.2 Pro forma balance sheet

See the combined balance sheet in Section 20.1 of this Prospectus.

20.3.3 Pro forma income statement

a. Pro forma income statement

(in thousands of euros)	Financial year 2010	2010 restated for CVAE	Financial year 2009	Financial year 2008
Revenue				
Licences	77,948	77,948	61,186	61,453
Maintenance	78,578	78,578	71,487	56,190
Subtotal Licences and Maintenance	156,526	156,526	132,673	117,643
Services	51,895	51,895	49,545	53,544
Total revenue	208,421	208,421	182,218	171,187
Cost of sales				
Licences and Maintenance	22,076	22,201	19,458	14,866
Services	46,354	46,618	44,799	47,396
Total cost of sales	68,430	68,819	64,257	62,262
Gross profit	139,991	139,602	117,961	108,925
Operating expenses				
Sales and marketing	57,922	58,254	51,655	47,259
Research and development	32,662	32,875	31,175	26,124
General and administrative	18,321	18,427	16,642	15,341
Total operating expenses	108,906	109,557	99,472	88,724
Profit on operating activities	**31,085**	**30,040**	**18,489**	**20,201**
As % of revenue	*14.9%*	*14.4%*	*10.2%*	*11.8%*
Stock option related expenses	-	-	-	-
Amortisation of acquired intangible assets	(1,944)	(1,944)	(1,856)	(722)
Profit from recurring operations	**29,141**	**28,096**	**16,633**	**19,479**
As % of revenue	*14.0%*	*13.5%*	*9.1%*	*11.4%*
Other income and expenses	(3,583)	(3,583)	-	(1,168)
Operating profit	**25,558**	**24,513**	**16,633**	**18,311**
Income from cash and equivalents	-	-	1	-
Cost of gross financial debt	(2,008)	(2,008)	(1,208)	(4,417)
Cost of net financial debt	(2,008)	(2,008)	(1,207)	(4,417)
Other financial income and expense			(81)	(272)
Tax expense	3,046	4,091	(5,365)	(5,757)
Net profit	**26,596**	**26,596**	**9,980**	**7,865**

As in the combined financial statements, the 2010 income statement is adjusted to reflect the *cotisation sur la valeur ajoutée des entreprises* (CVAE – a component based on the value added by a business each year) in order to measure the change in operating performance relative to 2009 and 2008.

b. Gains and losses recognised directly in equity

See the statement of gains and losses recognised directly in equity in Section 20.1.2 of this Prospectus.

20.3.4 Pro forma statement of changes in equity

See the combined statement of changes in equity set out in Section 20.1.3 of this Prospectus.

20.3.5 Pro forma statement of cash flows

See the combined statement of cash flows in Section 20.1.4 of this Prospectus.

20.4 Statutory Auditors' report on the pro forma consolidated financial statements at 31 December 2010, 2009 and 2008

Mr. Chairman,

In our capacity as statutory auditors and pursuant to Regulation (EC) 809/2004, we have prepared this report on Axway Software's pro forma information in respect of the years ended 31 December 2010, 31 December 2009 and 31 December 2008 included in the Section 20.3 of its Prospectus dated 29 April 2011, drawn up in the context of the planned admission to trading of Axway Software shares on the NYSE Euronext regulated market in Paris as part of the spin-off of the packaged software sales business from Sopra Group's other businesses.

This pro forma information has been prepared solely for the purposes of illustrating the impact that the spin-off covered by this Prospectus might have had on the Axway Software group's combined balance sheets, combined income statements and combined statements of cash flows for the three periods presented, had the spin-off taken effect on 1 January 2008 and had Axway Software operated as a separate, independent entity with effect from that date. By its very nature, this information describes a hypothetical situation and is not necessarily representative of the financial position or performance that would have been observed had the spin-off or event occurred at a date earlier than that on which it actually occurred or is planned to occur.

This pro forma information has been prepared under your responsibility in accordance with the provisions of Regulation (EC) 809/2004 and CESR recommendations in relation to pro forma financial statements, on the basis of Axway Software's audited combined financial statements to 31 December 2010, 2009 and 2008.

Our task is to express a conclusion based on our work, in the terms required by Annex II, point 7 of Regulation (EC) 809/2004, as to whether the pro forma information has been prepared in a satisfactory manner.

We have carried out the verifications we deemed necessary in accordance with the professional standards and doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC, the French national auditors' association) relating to this assignment. These verifications, which do not include a review of the underlying financial information used in preparing the pro forma information, have mainly consisted of verifying that the basis upon which the pro forma information was prepared is in agreement with the source documents as described in the note to the financial statements entitled "Basis of preparation of the pro forma financial statements", reviewing the key evidence in support of pro forma adjustments and speaking with Axway Software's management to gather the information and explanations we deemed necessary.

It is our opinion that:

- the pro forma information has been appropriately prepared on the basis stated;

- this basis is in accordance with Axway Software's accounting policies.

This report is issued solely for the purposes of the admission to trading of Axway Software shares on the NYSE Euronext regulated market in Paris, in which the Prospectus approved by the AMF is notified, and may not be used for any other purpose.

Paris and Courbevoie, 29 April 2011

The Statutory Auditors

AUDITEURS &
CONSEILS ASSOCIES
FRANÇOIS MAHE

MAZARS
CHRISTINE DUBUS

20.5 Dividend distribution policy

The Company does not plan to adopt a specific dividend payment policy.

20.6 Legal and arbitration proceedings

At the date of this Prospectus, proceedings have been brought against the Group by a US government agency (the General Services Administration or "GSA" hereafter) in the matter of a trade dispute relating to the price schedule to which the Group is alleged to have agreed for the supply of licences to this client. No specific amount has been claimed at this stage by the GSA and the Group is currently exploring possible ways to reach an out-of-court settlement of this dispute.

Due to the uncertainty as to the outcome of this claim, the Group is not able, at the date of this Prospectus and given the elements currently in its possession, to estimate the total amounts that might be requested and found to be payable by the Group should this matter enter litigation.

In 2008, the Company was the subject of a tax audit relating to the 2005 financial year and an agreement with the tax authorities was reached in February 2009. As a provision was set aside in the financial statements for the year ended 31 December 2008 in the amount of the adjustment accepted by the Company (€1.112 million), this tax audit has been considered as definitively closed and had no impact on the financial statements for the year ended 31 December 2009 (see Note 27.3 of Section 20.1).

As far as the Company is aware, there are no other governmental, legal or arbitration proceedings, known, in progress or to which it might be exposed, likely to have a material impact on the financial position or profitability of the Company and/or the Group, or which may have had such an impact during the past 12 months.

20.7 Material changes in the financial or commercial position

As of this writing, there are no material factors likely to alter the Group's financial (combined or pro forma) or commercial position.

21. ADDITIONAL INFORMATION

21.1 General information about share capital

21.1.1 Amount of share capital

As of this writing, the share capital stands at €76,572,436.75.

This is divided into 16,120,513 ordinary shares with a par value of €4.75 each.

Total share capital at the Distribution Finalisation date will amount to €32,241,026. This will be divided into 16,120,513 ordinary shares with a par value of €2 each following capital transactions approved at the Company's Combined General Meeting held on 28 April 2011 (see Section 21.1.7 below).

The Company's shares are fully subscribed and paid up, and are all of the same category.

21.1.2 Securities not representing capital

As of this writing, there are no securities not representing capital.

21.1.3 Shares held by the Company and treasury shares

As of this writing, neither the Company nor any of its subsidiaries hold shares in the Company.

As well as approving the transactions set out in this Prospectus, it was agreed at the Combined General Meeting to authorise the Board of Directors, which has the option of sub-delegating this authorisation, to buy back ordinary shares in the Company, in one or more stages and when it sees fit, up to a maximum of 10% of the total number of ordinary shares.

This authorisation is governed by the provisions of Articles L. 225-209 et seq. of the French Commercial Code and Title IV of Book II of the General Regulations of the Autorité des Marchés Financiers and its implementing guidelines.

A. Objectives of the share buyback programme

The shares may be bought back for the following purposes:

- to cover purchase options relating to the Company's shares granted to eligible employees and/or company officers of the Company and or any affiliated companies or economic interest groupings;
- to allocate ordinary shares to eligible company officers, employees and former employees of the Company or the Group, in connection with a profit-sharing scheme or company savings plan;
- to award bonus shares to eligible employees and company officers of the Company and/or of any affiliated companies and economic interest groupings and more generally to proceed with any allocation of the Company's ordinary shares to these employees and company officers as provided under Articles L. 225-197-1 et seq. of the French Commercial Code;
- to hold on to the Company's ordinary shares that will have been purchased so as to be exchanged or presented as consideration at a later date for external growth operations, in compliance with market practices accepted by the Autorité des Marchés Financiers;
- to provide coverage for investment securities giving access to the Company's ordinary shares;
- to obtain market-making services relating to the Company's ordinary shares to be rendered by an investment services provider, under the terms of a liquidity contract in line with the Code of Ethics of the AMAFI (French association of investment firms) and complying with market practices accepted by the Autorité des Marchés Financiers;
- to proceed with the complete or partial retirement of the ordinary shares acquired under a repurchase programme relating to ordinary shares.

B. Main terms and conditions of the programme

The maximum number of ordinary shares to be bought back by the Company may not exceed 10% of the total number of ordinary shares.

The maximum price at which ordinary shares may be bought back is set to 250% of the initial listing price for the Axway share, with the understanding that the amounts allocated to buying back ordinary shares may not exceed €75,000,000 and, in all cases, a maximum of 1,612,051 ordinary shares.

Shares may be bought back by any means, such as on the stock market or over the counter, including block purchases or through the use of derivatives, at any time, even when a public tender offer is under way, subject to compliance with regulations in force.

Should the requested authorisation be given by the General Meeting, it would take effect immediately for a period of eighteen months.

21.1.4 Other securities giving access to the Company's share capital

There are no securities giving access to the Company's share capital other than the share subscription options described in Section 17.2 of this Prospectus.

21.1.5 Authorised but unissued share capital

The delegations of authority and authorisations to issue shares and other investment securities approved by the Company's Combined General Meeting held on 28 April 2011 are as follows:

Authorisation / Delegation of authority	Validity period	Authorised ceiling (nominal amount)
Capital increase through the capitalisation of reserves, unappropriated retained earnings, additional paid-in capital or other items	26 months	€20 million
Capital increase through the issue of ordinary shares and/or investment securities giving access to ordinary shares in application of preferential subscription rights for existing shareholders	26 months	€20 million (1)
Capital increase through the issue of ordinary shares and/or investment securities giving access to ordinary shares, excluding preferential subscription rights for existing shareholders and not to be carried out via a public offer	26 months	€20 million (1)
Capital increase through the issue of ordinary shares and/or investment securities giving access to ordinary shares, excluding preferential subscription rights for existing shareholders and to be carried out via a public offer	26 months	€20 million (1)
Possibility to increase the amount of the initial issue, in the event of the issue of ordinary shares or investment securities giving access to ordinary shares under any of the three preceding delegations of authority, in application of or excluding preferential subscription rights for existing shareholders	26 months	€20 million (1)
Issue of ordinary shares and/or investment securities giving access to ordinary shares in order to remunerate contributions in kind made to the Company consisting of shares or any other investment securities giving access to the Company's share capital and not to be carried out via a public exchange offer	26 months	€20 million (1) (not to exceed 10% of the Company's share capital)
Option to set the issue price for ordinary shares or any investment securities giving access to ordinary shares, in the event that preferential subscription rights for existing shareholders are excluded, at no more than a 10% discount to the weighted average share price over the last three trading sessions preceding this determination	26 months	€20 million (1) (up to an annual limit of 10% of the Company's share

Authorisation / Delegation of authority	Validity period	Authorised ceiling (nominal amount)
		capital)
Capital increase through the issue of ordinary shares reserved for employees of the Axway sub-group who are members of a company savings plan (2)	26 months	3% of the number of shares making up the Company's share capital
Authorisation given to the Board of Directors in order to grant share subscription or purchase options to eligible employees and company officers of the Axway sub-group (2)	38 months	7% of the number of shares making up the Company's share capital
Authorisation given to the Board of Directors in order to allot existing or newly issued shares as bonus shares to eligible employees or company officers (2)	38 months	1% of the number of shares making up the Company's share capital
Authorisation given to the Board of Directors in order to issue warrants to subscribe to and/or acquire redeemable shares (BSAAR) to eligible employees and company officers of the Axway sub-group (2)	18 months	7% of the number of shares making up the Company's share capital
Authorisation given to the Board of Directors in order to reduce the share capital via the retirement of ordinary shares	24 months	(not to exceed 10% of the Company's share capital)

(1) This refers to the overall ceiling for increases to the nominal amount of the share capital, which is €20 million. The overall nominal amount of issues of any debt securities representing claims against the assets of the Company conferring entitlement to shares in the Company may not exceed €200 million.

(2) At this stage, the Board of Directors has not reached any decision regarding the use of these authorisations, the aim of which would be, if the Board of Directors so decides, to motivate and build loyalty among the Group's employees. In any event, these authorisations will not be used prior to the share capital increase in the order of €50–65 million which could follow the Distribution.

21.1.6 Information about the capital of any Group member subject to an option

As of this writing, no member of the Group is subject to any option or any conditional or unconditional agreement under which it could be placed under option.

21.1.7 Changes in share capital over the past three financial years

The following table sets out changes in Axway's share capital over the past three financial years:

Transaction date and nature	Number of shares	Par value of shares *(in euros)*	Amount of capital *(in euros)*
Capital as at 31 December 2007	**1,990,000**	**10**	**19,990,000**
10 December 2008 Equity increase by incorporating receivables into capital *(General Meeting of 10 December 2008)*	1,990,000	38	75,620,000
Capital as at 31 December 2008	**1,990,000**	**38**	**75,620,000**
Capital as at 31 December 2009	**1,990,000**	**38**	**75,620,000**
CAPITAL AS AT 31 DECEMBER 2010	**1,990,000**	**38**	**75,620,000**

On 10 December 2008, Axway's equity was increased by incorporating into the Company's capital a liquid receivable due, bringing it to €75,620,000 divided into 1,990,000 with a par value of €38 each.

On 28 April 2001, the shareholders voted at a Combined General Meeting of the Company to:

- split the par value of shares in the Company. Each share, with a par value of €38, was split into 8 shares with a par value of €4.75 each;
- increase the company's share capital by €952,436.75, from €75,620,000 to €76,572,436.75. This capital increase was carried out by capitalising reserves taken from the "Share premium" account and creating 200,513 new shares with a par value of €4.75 each;
- reducing the Company's share capital by way of a €2.75 reduction in the par value of each share from €4.75 to €2 and allocating the amount of this reduction in capital to the "Share premium" account. Consequently, the share capital of €76,572,436.75, consisting of 16,120,513 shares following the transaction referred to in the previous point, shall be reduced by €44,331,410.75 to €32,241,026. Since it is not being carried out as a result of losses, this reduction in capital is open to opposition by the Company's creditors.

21.2 Certificates of incorporation and Articles of Association

21.2.1 Corporate purpose

Article 2 – Corporate purpose

The Company's purpose in France and abroad is to:

- publish, market, distribute, install and maintain computer software packages, design and develop computer software, integrate information systems, sell computer hardware and systems, and provide associated services, training, consulting and hosting;
- take part, by any means, whether directly or indirectly, in all activities that may pertain to its purpose by way of forming new companies, contributing assets, subscribing or buying shares and ownership rights, undertaking mergers, or otherwise creating, acquiring, leasing or taking over on a lease management basis other businesses or establishments; take over, acquire, manage and sell processes and patents pertaining to these activities.

The Company may also generally engage in any industrial, commercial, financial, civil, property or non-property activities which may directly or indirectly pertain to its purpose or any similar or closely related purpose.

21.2.2 Board of Directors and Executive Management

Article 14 – Board of Directors

The Company is administered by a Board of Directors comprising a minimum of three members and a maximum of eighteen, subject to the exception provided for by law in the event of a merger.

During the life of the Company, the directors are appointed, reappointed or dismissed by the Ordinary General Meeting. They are always eligible for re-election.

The term of office of directors is four years, expiring at the end of the Ordinary General Meeting convened to approve the accounts for the financial year then ended and held in the year in which their term of office comes to an end.

No one can be appointed a director if, having exceeded the age of eighty-five years, his/her appointment results in more than one third of Board members exceeding this age. Once the age limit is reached, the oldest director is deemed to have resigned from office.

Directors may be natural persons or legal persons. When a legal person is nominated, he appoints a permanent representative who is subject to the same conditions, obligations and liabilities as a natural person director, without prejudice to the joint and several liability of the legal entity he represents.

In the event of one or more directors' positions becoming vacant, the Board of Directors may, between two General Meetings, carry out temporary appointments in accordance with the conditions set forth in Article L. 225-24 of the French Commercial Code. The director appointed to replace another performs his duties for the remainder of his predecessor's term of office.

An employee of the Company may only be appointed as a director if his employment contract corresponds to an actual post. The number of directors tied to the Company by an employment contract cannot exceed one third of the directors in office.

Each director must own one share.

Article 15 – Organisation of the Board of Directors

The Board of Directors elects from among its members a Chairman, who must be a natural person in order for the appointment to be valid. The Board determines his remuneration.

The Chairman is appointed for a duration that cannot exceed his term of office as a director. He is eligible for re-election. The Board of Directors can dismiss him at any time.

No one over the age of eighty-five can be appointed Chairman. If the Chairman in office has reached this age, he is deemed to have resigned from office.

The Board of Directors may appoint one or two Vice-Chairmen from among the directors.

It can also appoint a secretary who need not be a director or shareholder.

In the event of the Chairman's absence, Board Meetings are chaired by the eldest Vice-Chairman. Failing this, the Meeting shall elect its own Chairman.

Article 16 – Deliberations of the Board of Directors

The Board of Directors meets as often as the Company's interests require it to do so, at the request of its Chairman. The Chief Executive Officer, or if the Board has not met for more than two months, at least one third of the directors, may request the Chairman, who is bound by such request, to convene a Meeting of the Board of Directors on the basis of a predetermined agenda.

Convening notices are issued by any and all means including verbally.

General Meetings shall take place at the registered office or in any other place specified in the convening notice.

The Board can only validly deliberate in the presence of at least half the directors. Decisions are taken on the basis of a majority of votes of members present or represented.

In the event of a tie in voting, the Chairman has the casting vote.

An attendance sheet is signed by the directors taking part in the Board Meeting, either in person or by proxy.

Policies and procedures shall be defined.

The policies and procedures may include a provision whereby directors who participate in the Meeting by videoconference or any other means of telecommunication that enables them to be identified as required by law, shall be considered to be present for the purpose of calculating the quorum and majority.

This provision does not apply should the following decision be adopted:

- the closing of the annual accounts and consolidated accounts and the drafting of the Management Report and Group Management Report.

The deliberations of the Board of Directors are recorded in the minutes, which are prepared in accordance with the legal provisions in force and signed by the Meeting Chairman and at least one director. In the absence of the Meeting Chairman, it is signed by at least two directors.

The copies or extracts of the minutes are certified by the Chairman of the Board of Directors, the Chief Executive Officer, the director temporarily carrying out the duties of Chairman or an officer authorised for this purpose.

Article 17 – Powers of the Board of Directors

The Board of Directors determines the overall business strategy of the Company and supervises its implementation. It examines any and all matters related to the efficiency and effectiveness of business operations and reaches decisions about any and all issues concerning the Company, within the limits of the corporate purpose and except for those matters which, by law, can only be decided on by the shareholders in a General Meeting.

In its dealings with third parties, the Company is committed even by actions of the Board of Directors falling outside the scope of the corporate purpose, unless it can prove that the third party knew that the action exceeded the corporate purpose or that it could not ignore it in the circumstances, it being excluded that publication of the Memorandum and Articles of Association alone constitutes such proof.

The Board of Directors undertakes all the checks and verifications it deems necessary. Each director is entitled to receive all the documents and information necessary to carry out his duties.

The Board of Directors may confer on any and all proxy-holders of its choice, any and all delegations of powers within the limits of those defined by the law and the present Memorandum and Articles of Association.

It can decide to set up committees to examine questions submitted to them by it or its Chairman.

Article 18 – Powers of the Chairman of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board of Directors, on which he reports to the General Meeting. He ensures the smooth running of the Company’s managerial bodies and, in particular, that the directors are able to carry out their duties.

Article 19 – Execution Management

1- Operating procedures

Responsibility for the Company’s executive management is assumed by either the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and holding the title of Chief Executive Officer.

The Board of Directors chooses one or other of the aforementioned methods of executive management.

The decision of the Board of Directors relating to the choice of management method is taken on the basis of a majority of directors present or represented. The shareholders and third parties are informed of this choice in the conditions provided for by the regulations in force.

The choice made by the Board of Directors applies for an unlimited period.

2- Executive Management

The Chief Executive Officer is a natural person who may or may not be a director. The term of office of the Chief Executive Officer is determined by the Board of Directors at the time of his appointment. However, if the Chief Executive Officer is also a director, his term of office cannot exceed that of his directorship.

No-one over the age of seventy years may be appointed as Chief Executive Officer. Once the Chief Executive Officer has reached the age limit, he or she is deemed to have resigned from office.

The Chief Executive Officer can be dismissed at any time by the Board of Directors. In the event of unfair dismissal, he may be entitled to damages, except when he also performs the function of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company. He exercises his powers within the limits of the corporate purpose and subject to those expressly granted to Shareholders' Meetings and the Board of Directors by the law.

He represents the Company in its dealings with third parties. The Company is committed even by the actions of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it can prove that the third party knew that such action exceeded the corporate purpose or that it could not ignore it in the circumstances, it being excluded that publication of the Memorandum and Articles of Association alone constitutes such proof.

3- Managing Directors

On a proposal from the Chief Executive Officer, whether this function is performed by the Chairman of the Board of Directors or by another person, the Board may appoint one or more natural persons to assist the Chief Executive Officer, with the title of Managing Director.

The Board of Directors may or may not choose the Managing Directors from among the directors up to a maximum of five.

The age limit is set at seventy years. Once a Managing Director has reached this age limit, he or she is deemed to have resigned from office.

The Managing Directors may be dismissed at any time by the Board of Directors on a proposal from the Chief Executive Officer. In the event of unfair dismissal, the Managing Directors may be entitled to damages.

When the Chief Executive Officer ceases to carry out or is prevented from carrying out his duties, the Managing Directors, unless decided otherwise by the Board of Directors, retain their duties and remits until the appointment of a new Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the powers conferred on the Managing Directors. In their dealings with third parties, the Managing Directors have the same powers as the Chief Executive Officer.

Article 20 – Remuneration of senior executives

1. The General Meeting may award directors a fixed annual sum in the form of directors' fees, which are treated as operating expenses; the amount remains unchanged until further notice. The apportionment of the sum between directors is determined by the Board of Directors.

2. The Board of Directors determines the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Directors. Such remuneration may be fixed and/or variable.

3. For assignments or mandates entrusted to directors, the Board of Directors may also award exceptional payments that will be submitted for the approval of the Ordinary General Meeting.

The directors may not receive from the Company remuneration, whether permanent or not, other than that set out in the previous paragraphs, unless they are tied to the Company by an employment contract in conditions authorised by the law.

Article 21 – Concurrently held mandates

A single individual may not serve as a director or supervisory board member of more than five French-based public listed companies (sociétés anonymes).

Excluded from the aforementioned provisions are the mandates of director or supervisory board member held by this person in the companies controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the Company of which he is a director.

In application of the above provisions, the mandates of directors of companies whose shares are not traded on a regulated market or are controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the same company only count as one mandate, provided the number of such mandates held does not exceed five.

A single individual may not serve as a Chief Executive Officer, Management Board member or sole Chief Executive Officer of more than one French-based public listed companies (sociétés anonymes). Exceptionally, a second mandate of Chief Executive Officer or a mandate of Management Board member or sole Chief Executive Officer may be held in a company controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the Company of which he is Chief Executive Officer. Another mandate of Chief Executive Officer, Management Board member or sole Chief Executive Officer can be held in one company, provided such company's shares are not traded on a regulated market.

Any natural person in breach of the provisions in respect of concurrently held mandates must relinquish one of the mandates within three months of his appointment, or the mandate in question within three months of the event that led to the lapse of one of the conditions defined by law in the case of exceptions. On expiry of the three-month period, the person is automatically dismissed and must return the remunerations received, although the validity of the deliberations in which he took part is not called into question.

21.2.3 Rights, preferences and restrictions attaching to each class of shares

Article 12 – Rights and obligations attaching to shares

1. Each share entitles its holder to a fractional share of the Company's profits, assets and liquidation surplus equal to the fraction of issued capital represented by the share.

In addition, each share entitles the holder to voting and proxy rights in General Meetings, as well as the right to be kept abreast of the Company's affairs and to receive copies of certain company documents at times and under the conditions provided by applicable laws and the Company's Articles of Association.

2. The liability of shareholders in relation to any negative equity of the Company is limited to the nominal value of shares held and paid up.

Following the transfer of a share, the transferee assumes all rights and obligations attaching to the share.

Share ownership automatically implies acceptance of the Company's Articles of Association and of resolutions voted in General Meetings.

3. Whenever it will be necessary to hold a certain number of shares in order to exercise a given right, it will be the responsibility of the shareholder(s) not possessing the required number of shares to obtain the number of shares necessary through the grouping, purchase or sale of shares.

Article 13 – Indivisibility of shares – Usufruct and bare ownership

1. Shares are indivisible as regards the Company.

Joint holders of shares are represented in General Meetings by only one of the joint holders or by a single proxy. In the event of disagreement, a proxy for the joint holders is appointed by the competent court at the request of the first joint holder to refer the dispute to this court.

2. The voting right attaching to a share belongs to the usufructuary at Ordinary General Meetings and to the bare owner at Extraordinary General Meetings. However, shareholders may agree to any other application of voting rights at General Meetings. The Company must be informed of any such agreement by registered letter and will be required to apply this agreement for any General Meeting that will be held after a period of one month from the postmark date of this letter.

In any case, the bare owner is entitled to attend all General Meetings. Voting rights of bare owners may never be completely eliminated. Usufructuaries may not be deprived of voting rights for resolutions relating to the appropriation of earnings.

Voting rights are exercised by the owner of pledged shares.

21.2.4 General Meetings

Article 25 – General Meetings

The decisions collectively made by the shareholders shall be taken in General Meetings characterised either as Ordinary General Meetings, Extraordinary General Meetings or Special General Meetings depending on the nature of the decision to be taken.

Special General Meetings are called for the holders of shares of a given category to decide upon any changes to the rights attached to shares in this category.

The decisions taken by General Meetings are binding for all the shareholders, including absentee and dissenting shareholders and those lacking legal capacity.

Article 26 – Venue and procedure for convening General Meetings

General Meetings are convened and held under the conditions laid down by law.

General Meetings shall take place at the registered office or in any other place specified in the convening notice.

Article 27 – Agenda

The agenda for the General Meeting is mentioned in the convening notice and letters. It is decided by the convening body.

A shareholder or group of shareholders, representing at least the fraction of issued capital required by law, and acting under the conditions and within the time periods determined by law, can request the inclusion of draft resolutions in the agenda for the meeting.

The workers' council may also request the inclusion of proposed resolutions in the agenda.

The General Meeting may not decide upon any issues that are not on the agenda. It may, however, at any time and in any circumstances, dismiss and replace one or more directors.

Article 28 – Rights to shareholder information – Disclosure obligations

All shareholders are entitled to receive all the information necessary for them to take an informed decision relating to the management and situation of the Company.

The documentation required and its availability to shareholders is laid down by the law.

Any shareholder who holds more than 3% or more than 4% of the Company's capital shall inform the Company in the same manner and based on the same methods of calculation as required with respect to legal thresholds.

Article 29 – Access to General Meetings – Powers – Composition

The General Meeting shall be composed of all shareholders, regardless of the number of shares they hold, who attend the meeting either in person or by proxy.

Shareholders are entitled to take part in general meetings provided they are able to justify their status with an entry in their own name or in the name of the intermediary duly registered on their behalf, in application of paragraph 7 of Article L. 228-1 of the French Commercial Code, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorised financial intermediary, no later than the fourth business day before the date of the meeting at midnight Paris time.

A shareholder may be represented only by his or her spouse or by another shareholder, who must prove that he or she has been mandated to act as proxy. If a shareholder does not name a proxy-holder in a form of proxy, the chairman of the General Meeting shall vote in favour of proposed resolutions submitted for approval by the Board of Directors, and against any other proposed resolution. For any other vote, the shareholder shall choose a proxy-holder who agrees to vote as directed by the shareholder.

The legal representatives of legally incapable shareholders and the persons representing legal entities that hold shares in the Company may attend General Meetings whether they are shareholders or not.

If so decided by the Board of Directors when convening the Meeting, shareholders may also take part by videoconference or any other means of telecommunication, including the Internet, that permits them to be identified as provided by the law.

Shareholders who participate in the Meeting via videoconference or any other means of telecommunication that enables them to be identified as required by law shall be considered to be present for the purpose of calculating the quorum and majority.

All shareholders may vote by correspondence by filling in a form addressed to the Company, under the conditions provided for by the law and the regulations; to be taken into account, this form must reach the Company at least three days before the date of the General Meeting.

Two members of the Workers' Council, to be named by the Council in compliance with the law, may attend General Meetings. They must, upon their request, be heard when decisions requiring shareholder unanimity are voted.

Article 30 – Attendance sheet – Officers – Minutes

At each meeting, an attendance sheet is drawn up, containing the indications and signatures required by law.

The General Meeting shall be chaired by the Chairman of the Supervisory Board or, in the Chairman's absence, by a Vice-Chairman. Failing this, the Meeting shall elect its own Chairman.

The duties of vote-teller shall be performed by the two shareholders, present and accepting such duties, who hold the largest number of shares, either on their own behalf or as proxy-holders.

The officers of the meeting verify, certify and sign the attendance sheet, ensure that discussions are properly held, settle any differences which may arise in the course of the meeting, count the votes cast, also verifying that voting procedures are properly observed and that minutes of the meeting are drawn up.

The officers of the meeting thus appointed shall designate a secretary, who may be a shareholder or not.

The minutes are kept and copies or extracts of these minutes are delivered and certified in accordance with the law.

Article 31 – Quorum – Voting rights – Number of votes

The quorum is calculated, for Ordinary and Extraordinary General Meetings, on the basis of the number of shares making up the Company's share capital and, for Special General Meetings, on the basis of the number of shares in the category of shares for which such meetings are convened, after deducting any shares deprived of voting rights in accordance with legal requirements.

In the case of votes submitted by shareholders not physically present at a meeting, only voting ballots received by the Company within the timeframe indicated above will be considered in the calculation of the quorum.

The voting right attached to a share is proportional to the fraction of the Company's share capital it represents. When having the same nominal value, each capital or dividend share entitles the holder to a single vote.

Article 32 – Ordinary General Meetings

An Ordinary General Meeting is a meeting called to take decisions which do not amend the Memorandum and Articles of association.

It shall be held at least once a year, in the conditions provided for by law, to approve the accounts for the financial year then ended.

Decisions are valid only if, when the meeting is convened for the first time, the shareholders attending the meeting or represented by proxy or having voted by mail represent at least one quarter of the total voting rights. No quorum is required for a second meeting.

The Meeting issues decisions by simple majority of the votes of the shareholders present or represented by proxy-holders, including the votes of shareholders who have voted by mail or via electronic transmission.

Article 33 – Extraordinary General Meetings

The Extraordinary General Meeting alone shall be authorised to amend the Memorandum and Articles of Association. However, it may not increase shareholders' commitments, subject to transactions arising from any grouping together of shares, duly and properly carried out.

Decisions are valid only if the shareholders attending the meeting or represented by proxy or having voted by mail represent at least one third of the total voting rights, in the case of a first meeting, and one quarter of the total voting rights in the case of a second meeting. In the event of this quorum not being reached, the second meeting may be deferred to a date not more than two months later than the date on which it was originally convened; the quorum of one-fifth is also required for this second meeting.

The Meeting issues decisions by a majority of two-thirds of the votes of the shareholders present or represented by proxy-holders, including the votes of shareholders who have voted by mail or via electronic transmission, except in the event of a legal derogation.

Article 34 – Special General Meetings

When there are several categories of shares, no changes may be made to the rights of a given category of shares unless approved by an Extraordinary General Meeting open to all shareholders and also by a Special General Meeting of the holders of the category of shares in question.

Decisions taken by Special General Meetings are valid only if the shareholders attending the meeting or represented by proxy represent at least one-third of the total voting rights, in the case of a first meeting, and one-fifth of the total voting rights in the case of a second meeting.

In all other respects, Special General Meetings are convened and deliberate in the same way as Extraordinary General Meetings.

22. MAJOR CONTRACTS

Axway is not in a dependent relationship with any of its suppliers or customers, with no single customer representing more than 3.4% of total revenue in 2010.

Consequently, major contracts for the Group, other than contracts entered into in the normal course of business, are mainly agreements entered into with related companies, including Sopra Group S.A. and set out in Section 19, “Transactions with related parties”, and Note 32.2 in Section 20.1.5 of this Prospectus.

23. INFORMATION PROVIDED BY THIRD PARTIES, EXPERT DECLARATIONS AND DECLARATIONS OF INTEREST

Not applicable.

24. PUBLICLY AVAILABLE DOCUMENTS

Press releases issued by the Company and historical financial information about the Company can be accessed via the Company's website at www.axway.com or the Sopra Group S.A. website at www.sopragroup.com; copies may be obtained from Sopra Group S.A.'s registered office (9 bis, rue de Presbourg, 75116 Paris). The Company's Articles of Association, together with the minutes of Shareholders' General Meetings, the non-consolidated and consolidated financial statements, Statutory Auditors' reports and all other company documents, may be consulted in paper form at the Company's registered office.

Information Officer

Name: Patrick Gouffran

Title: Secretary General

Address: 26 rue des Pavillons, F-92807 Puteaux Cedex

Telephone: +33 (0)1 47 17 24 65

E-mail: pgouffran@axway.com

25. INFORMATION ON HOLDINGS

Other than those companies referred to in Section 7.2, the Company has no holdings liable to have a material impact on the assessment of its business assets, financial position or performance.

26. INFORMATION ABOUT THE COMPANY'S SHARES

26.1 Overview of the admission to trading of shares on the NYSE Euronext regulated market in Paris as a result of the Distribution

26.1.1 Terms of the Distribution

a. Purpose of the Distribution

The admission to trading of the Company's shares on the NYSE Euronext regulated market in Paris forms part of the project to separate Sopra Group S.A.'s historical businesses (Consulting and Systems and Solutions Integration) from those of the Company (sale of business interaction network management software) in order to create an independent group (Axway).

The purpose of separating Axway's businesses from Groupe Sopra's historical businesses is as follows:

- enhance the market visibility and perception of both Axway and Sopra Group S.A.'s activities and performance, as teh distinctions between their business models have become increasingly pronounced, in terms of business segments, organisation, geography and client portfolios;

- significantly raise the Company's profile and heighten recognition of its value;

- further Axway's strategic objectives, whose aim is to offer a market-leading family of solutions for the management of electronic data exchanges between large companies or organisations and all partners in their ecosystems;

- give greater latitude to both the Company and Sopra Group S.A. in building strategic alliances or pursuing external growth opportunities; and

- build the Company's capacity to raise finance, in particular so as to pursue acquisitions, and enable Sopra Group S.A. to focus its resources on the development of its own businesses.

b. Overview of the Distribution

The admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris will be concurrent with the distribution by Sopra Group S.A. to its shareholders of approximately 73.5% of the Company's share capital, subject to vote by shareholders at Sopra Group S.A.'s Ordinary General Meeting to be held on 8 June 2011 (disclosures relating to Sopra Group S.A. may be found in its 2010 Reference Document, whose original French-language version was filed with the AMF on 8 April 2011 under number D.11-0261). Following this transaction, Sopra Group S.A. would retain an ownership interest of at least 26.5%. It should be noted that the 26.5% stake held by Sopra Group S.A. in the Company might include up to approximately 1.5% of the share capital held to protect the holders of Sopra Group S.A. share subscription options upon the Distribution of Axway Shares. Subject to possible restrictions applicable, these shares would be remitted to these holders of share subscription options in the event that these options are exercised (see Section 26.1.1.10 "Protection of option beneficiaries").

To this end, for each Sopra Group S.A. share with distribution rights (see Section 26.1.1.7 below), Sopra Group S.A. plans to distribute to its shareholders one (1) share in the Company (the "**Distribution of Axway Shares**") and the amount of €3.92 to compensate for the bulk of the French tax liability arising from the distribution (the "**Cash Distribution**"), in the form of an exceptional distribution from its share premium account and reserves (the Distribution of Axway Shares and the Cash Distribution together are hereinafter referred to as the "**Distribution**").

The Distribution will be decided by the Ordinary General Meeting of Sopra Group S.A. shareholders to be held on 8 June 2011 (see Section 26.1.1.3).

The Distribution of the Axway Shares will be adjusted against Sopra Group S.A.'s equity in an amount that will be approved by Sopra Group S.A.'s Board of Directors and brought to the attention of Sopra Group S.A. shareholders in a notice published prior to the Sopra Group S.A. General Meeting called to vote on the Distribution.

Horwath Audit France was appointed as an independent expert tasked with assessing the coherence of the amount to be determined by Sopra Group S.A.'s Board of Directors and charged to Sopra Group S.A.'s equity.

The ex-dividend date of the Distribution and payment date of the Cash Distribution and the date of the settlement-delivery of the Distribution of Axway Shares shall be the date on which the Company's shares are admitted to trading on the NYSE Euronext regulated market in Paris (the "**Distribution Finalisation Date**").

At the date of this Prospectus, the planned Distribution Finalisation Date is 14 June 2011.

The Distribution shall be preceded by the completion of the preliminary transactions set out in Section 26.1.1.4 below (the "**Preliminary Transactions**").

It is to be understood that the Distribution could be followed soon after, subject to market conditions, by a capital increase in application of the preferential right of the Company's shareholders to subscribe to shares. Accordingly, the purpose of this share capital increase, expected to be in the range of €50-65 million, would mainly be used to repay the current account between the Company and Sopra Group S.A. and to put Axway in a stable cash position. The new equity issue shall be the subject of a separate transactional notice.

c. Commitment to retain shares

Sopra Group S.A. and its main shareholders (Sopra GMT, Geninfo and Caravelle) (the "**Signatories**") have entered into a set of commitments with their advisory banks (and have guaranteed compliance by each of their subsidiaries with this same set of commitments), until the expiration of a period of 180 calendar days following the date of admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris, which is expected to occur on 14 June 2011, unless otherwise agreed in writing by the advisory banks, for which consent may not be refused without reasonable grounds, to refrain from:

1. offering, disposing of, selling or where applicable issuing or otherwise transferring (in particular via a market transaction, private placement to investors or over-the-counter), whether directly or indirectly (including through the use of any financial instrument or other option product), any Company share having been received as part of the Distribution (the "**Capital Securities**");

2. publicly revealing its intention to carry out such an issue, offer, disposal, sale, promise or transfer;

3. proceeding either directly or indirectly with any transaction having an equivalent economic impact; and

4. entering into any commitment to conduct any of the transactions described in points 1 to 3 above;

   with the understanding that the following are excluded from the scope of this commitment:

   (i) the disposal, transfer or offer of Capital Securities to any French or foreign legal entity controlled by, or exerting control over, any Signatory (an "**Associate**"), with "control" defined as set forth in Article L. 233-3 of the French Commercial Code), unless any Associate that would receive these Capital Securities undertakes to comply with the abovementioned commitment for the remaining portion of the period of 180 days referred to above;

   (ii) Capital Securities contributed to a public tender offer, a public exchange offer, an offer combining these two types or an alternative public offer for the Company's shares;

   (iii) transfers of Capital Securities to representatives of any Signatory or of any Associate having received Capital Securities in application of paragraph (i) above and in compliance with the commitment required under the terms and conditions of paragraph (i), with a view to serving on the Company's Board of Directors.

At any time and at their sole discretion, the advisory banks may release, in part or in full, Sopra Group S.A. and its main affected shareholders from their commitment to retain shares.

26.1.1.1 Simplified Group organisation chart

A simplified organisation chart illustrating the relationships between the main Group companies in terms of ownership and voting rights prior to the completion of the activities referred to in this section is set out in Section 7.1.

Following the Distribution, Axway's ownership interests in its subsidiaries will be unchanged, since only Axway's shareholding structure is affected by this transaction (see Section 18.1).

Sopra Group S.A. would thus retain, as a result of the Distribution, an ownership interest of at least 26.5%. It should be noted that the 26.5% stake held by Sopra Group S.A. in the Company might include up to approximately 1.5% of the share capital held to protect the holders of Sopra Group S.A. share subscription options upon the Distribution of Axway Shares. Subject to possible restrictions applicable, these shares would be remitted to these share subscription option holders in the event that these options are exercised (see Section 26.1.1.10 "Protection of option beneficiaries").

26.1.1.2 Provisional timetable for the Distribution

Approval visa of the Prospectus by the AMF	29 April 2011
Sopra Group S.A. Combined Annual General Meeting to vote on reduction in capital and amendment of Articles of Association	10 May 2011
Sopra Group S.A. Ordinary General Meeting to vote on Distribution	08 June 2011
Distribution Finalisation Date and date of admission to trading of Axway's shares on the regulated market of NYSE Euronext in Paris	14 June 2011

26.1.1.3 Conditions precedent to the Distribution

As of this writing, completion of the Distribution is subject to the following conditions precedent being met:

- completion of the Preliminary Transactions set out in Section 26.1.1.4 below;
- approval of the Distribution at the Ordinary General Meeting of Sopra Group S.A. to be held on 8 June 2011, at which shareholders will be asked to vote
  - after being informed of the following:
    - the Board of Directors' report,
    - the opinion of employee representative bodies issued on 15 April 2011,
    - the Prospectus relating to the admission to trading of Axway shares on the NYSE Euronext regulated market in Paris and the completion of the Preliminary Transactions,
    - the amount of the Distribution to be charged to Sopra Group S.A.'s equity,
  - and after noting the total amount of Sopra Group S.A.'s available equity following the exercise of Sopra Group S.A. share subscription options from 1 January 2011, approval of the 2010 financial statements, appropriation of 2010 earnings and reduction in capital by way of a transfer to the share premium account in accordance with decisions passed at Sopra Group S.A.'s Combined General Meeting on 10 May 2011, including the amount of the legal reserve of Sopra Group S.A. that has become available due to the said capital reduction.
- publication of the final decision relating to the admission to trading of Axway shares on the NYSE Euronext regulated market in Paris.

26.1.1.4 Preliminary Transactions

The Preliminary Transactions include, in particular, the following:

- for Sopra Group S.A.:

- the modification of the Articles of Association of Sopra Group S.A. will be submitted for the approval of Sopra Group S.A. shareholders on 10 May 2011 for the purpose of inserting a new Article 39 to confirm, by means of an explicit stipulation, that the General Meeting is authorised to decide on a distribution in kind;

- A reduction in Sopra Group S.A.'s share capital by way of a €3 reduction in the par value of each share from €4 to €1. Consequently, based on total share capital of €47,427,780 made up of 11,856,945 shares, Sopra Group S.A.'s capital shall be reduced to €11,856,945. The exact amount of the reduction in capital shall be determined in accordance with the exact number of shares that make up Sopra Group S.A.'s share capital at the date on which the capital reduction is carried out. This reduction in Sopra Group S.A.'s share capital shall be subject to approval by Sopra Group S.A. shareholders on 10 May 2011, and creditors will be entitled to oppose it;

- for the Company:

  - a split in the par value of the Company's shares, as agreed at the Company's Combined General Meeting on 28 April 2011. Each share, with a par value of €38, was split into 8 shares with a par value of €4.75 each. Subject to this change, the newly split shares shall benefit from the same rights as before they were split;

  - a €952,436.75 increase in the Company's share capital, from €75,620,000 to €76,572,436.75, was agreed at the Company's Combined General Meeting held on 28 April 2011. This capital increase was carried out by capitalising reserves taken from the "Share premium" account and creating 200,513 new shares with a par value of €4.75 each;

  - a reduction in the Company's share capital by way of a €2.75 reduction in the par value of each share from €4.75 to €2, as agreed at the Combined General Meeting held on 28 April 2011, and the allocation of the amount of this reduction in capital to the "Share premium" account. Consequently, the share capital of €76,572,436.75, consisting of 16,120,513 shares following the transaction referred to in the previous point, shall be reduced by €44,331,410.75 to €32,241,026. Since it is not being carried out as a result of losses, this reduction in capital is open to opposition by the Company's creditors.

The purpose of these Preliminary Transactions in the Company's share capital is to enable the Distribution to completed on the basis of a ratio of one (1) share in the Company for every one (1) Sopra Group S.A. share held. The purpose of reducing the Company's capital is to adjust its equity structure with a view to the admission to trading of its shares and it will be deemed to be completed once creditors' right of opposition has been exhausted.

On 28 April 2011, the Company also carried out an exceptional dividend distribution of €7,920,200 to Sopra Group S.A., as well as an exceptional distribution of €13,863,641.18 to Sopra Group S.A. charged to "Other reserves".

26.1.1.5 Accounting treatment of the Distribution by Sopra Group S.A.

- The Distribution will be charged to available Sopra Group S.A. equity items as described below, after the exercise of any options to subscribe to Sopra Group S.A. shares having occurred since 1 January 2011, the approval of the 2010 financial statements, the appropriation of 2010 earnings, and the reduction in capital by way of a transfer to the share premium account, in accordance with decisions passed by Sopra Group S.A.'s Combined General Meeting of 10 May 2011, including the amount of Sopra Group S.A.'s legal reserve that will be available given said reduction in Sopra Group S.A.'s capital:

- the Cash Distribution, which corresponds to a maximum overall amount of €49,639,709.20, on the basis of a maximum total of 11,897,885 Sopra Group S.A. shares entitled to receive the Distribution of Axway Shares, will be charged to the "Share premium" account,

- then, the Distribution of Axway Shares will be charged to Sopra Group S.A. equity, to the extent necessary, in the following order:

  - to the balance of the "Share premium" account after the charging of the Cash Distribution, then
  - to the "Merger premium" account, then
  - to the "Contribution premium" account, then
  - to the free reserve portion of the legal reserve made available as a result of the reduction in capital by way of an allocation to the share premium account, in accordance with the decisions passed by Sopra Group S.A.'s Combined General Meeting of 10 May 2011, then
  - to the "Discretionary reserves" account.

26.1.1.6 Independent assessment

An independent expert was appointed and tasked with assessing the coherence of the valuation of the Company adopted by Sopra Group S.A.'s Board of Directors for the purposes of charging the Distribution of Axway Shares to Sopra Group S.A.'s equity.

Name and address:	Horwath Audit France
	86 rue Anatole France
	92300 Levallois Perret

26.1.1.7 Eligibility for the Distribution

Persons entitled to the Distribution shall be Sopra Group S.A. shareholders (other than Sopra Group S.A. itself) whose shares traded on Compartment B (ISIN code FR0000050809) are registered at the close of the accounting day preceding the Distribution Finalisation Date (i.e. after taking into account orders executed in the course of the accounting day preceding the Distribution Finalisation Date, even where those orders are not cleared and settled until after the Distribution Finalisation Date).

Sopra Group S.A. shares held by Sopra Group S.A. itself shall not be eligible for this Distribution.

26.1.1.8 Ratio with respect to the Distribution of Axway Shares and number of shares distributed

One (1) share in the Company shall be distributed for every one Sopra Group S.A. share eligible for the Distribution (i.e. a ratio of one (1) to one (1)).

Based on the maximum number of Sopra Group S.A. shares eligible for the Distribution, a maximum of **11,897,885** shares in the Company shall be included in the Distribution. This number shall be adjusted on the evening of the day prior to the Distribution Finalisation Date in accordance with the exact number of Sopra Group S.A. shares eligible for the Distribution.

26.1.1.9 Ex-date for the Distribution, payment date for the Cash Distribution and settlement/delivery date for the Distribution of Axway Shares

The ex-date for the Distribution, the payment date for the Cash Distribution and the settlement/delivery date for the Distribution of Axway Shares have been set to the same date, considered as the Distribution Finalisation Date.

For bearer and intermediary-registered Sopra Group S.A. shares:

- financial intermediaries that are members of Euroclear France shall credit the amount of the cash distribution to the accounts of their eligible clients on the Distribution Finalisation Date;

- on the Distribution Finalisation Date, CM-CIC, the financial institution tasked with centrally managing the Distribution, shall ensure that all financial intermediaries that are members of Euroclear France automatically register via Euroclear France, on behalf of Sopra Group S.A. shareholders whose accounts they maintain, a number of shares in the Company equal to the number of Sopra Group S.A. shares that were registered in their accounts in the names of those shareholders at the close of the accounting day preceding the Distribution Finalisation Date;

- for shares covered by a stipulated deferred clearing and settlement buy order ("**OSRD**"), the dealer shall receive Axway Software shares detached from those shares and must register them in the buyer's account on the Distribution Finalisation Date. The dealer shall also receive the amount of the cash distribution, and must pay the strict cash equivalent of that amount to the buyer on expiry of the OSRD. The same rules shall apply mutatis mutandis in the case of an OSRD sell order.

For shareholders holding directly registered Sopra Group S.A. shares:

- the amount of the Cash Distribution shall be paid to each eligible shareholder on the Distribution Finalisation Date;

- the whole number of shares in the Company for which shareholders are eligible shall be registered in the name of each holder of directly registered Sopra Group S.A. shares on the Distribution Finalisation Date.

26.1.1.10 Protection of option beneficiaries

Share options granted by Sopra Group S.A. to employees of the Company or any of its subsidiaries shall be maintained following the Distribution.

a. As regards the Cash Distribution, the rights of option holders shall be adjusted as follows:

- adjustment of the strike price

  As a result of the Cash Distribution, the strike price of Sopra Group S.A. share purchase options outstanding as at the evening of the day before the Distribution Finalisation Date shall be adjusted in accordance with Articles R. 225-137 and R. 228-91 of the French Commercial Code. The adjusted strike price of a share option shall be equal to:

$$\text{Strike price of a share option prior to adjustment} \times \left(1 - \frac{\text{Amount of Cash Distribution per Sopra Group S.A. share}}{\text{Value of a Sopra Group S.A. share prior to Distribution}^{1}}\right)$$

  [1] The value of a Sopra Group S.A. share prior to the Distribution shall be equal to the weighted average Sopra Group S.A. share price over the 20 trading days preceding the Distribution Finalisation Date.

  The Board of Directors of Sopra Group S.A. has decided that the equalisation rules set out in Article R. 228-91 of the French Commercial Code shall apply for the purposes of this adjustment.

- adjustment of number of shares covered by options

  For all share options outstanding as at the evening of the day before the Distribution Finalisation Date, the number of Sopra Group S.A. shares covered by those options shall be adjusted for each beneficiary and for each plan. The adjusted number of shares shall be equal to:

$$\text{Number of shares prior to adjustment X } \frac{\text{Strike price of a share option prior to adjustment}}{\text{Adjusted strike price of a share option}}$$

  The Board of Directors of Sopra Group S.A. has decided that the equalisation rules set out in Article R. 228-91 of the French Commercial Code shall apply for the purposes of this adjustment.

b. As regards the Distribution of Axway Shares, Sopra Group S.A. undertakes to protect the rights of the holders of share subscription options in compliance with regulations in force, either by way of the application of rules for the adjustment of the exercise price and the number of shares covered by Sopra Group S.A. options or, at the discretion of the Board of Directors of Sopra Group S.A., in accordance with Articles L. 225-181 and L. 228-99, 2° of the French Commercial Code, Sopra Group S.A., while retaining a number of shares in the Company equal to the number of shares to which share options not exercised as at the evening of the day before the Distribution Finalisation Date entitle the holders of those options, prior to the adjustment of the exercise price and the number of shares covered by those options in accordance with Section 26.1.1.10 (a). Accordingly, any option holders who exercise their options at a later date shall receive shares equivalent to those distributed under the Distribution, in the same quantities or proportions and under the same conditions (except as regards the enjoyment thereof) as if they had been shareholders at the time of the Distribution.

26.1.2 Consequences of the Distribution

26.1.2.1 Consequences for the Company and its shareholders

(a) Impact on the Company's equity

The Distribution shall have no impact on the Company's equity.

(b) Planned changes in the Company's administrative and management bodies

Planned changes in the Company's administrative and management bodies are set out in Section 14.1 of this Prospectus.

(c) Financial information

The Company's financial statements are set out in Section 20 of this Prospectus.

26.1.2.2 Consequences for Sopra Group S.A. and its shareholders

The impact of the Distribution on Sopra Group S.A. and its shareholders is set out in a separate specific press release published prior to the Sopra Group S.A. Shareholders' General Meeting at which the Distribution will be put to the vote. The aforementioned press release is not incorporated by reference into this Prospectus.

26.1.3 Taxation arrangements applicable to the Distribution

26.1.3.1 Taxation arrangements applicable to Sopra Group S.A.

Sopra Group S.A. shall be taxed on the capital gain it realises on the Axway shares distributed. However, under current legislation, for equity interests held for more than two years, only a proportion of fees and expenses equal to 5% of the amount of the capital gain shall actually be subject to corporate income tax, giving rise to an effective taxation rate of only 1.72%.

26.1.3.2 Taxation arrangements applicable to Sopra Group S.A. shareholders

Under current French legislation, the following provisions summarise the French fiscal consequences liable to apply to Sopra Group S.A. shareholders as a result of the Distribution. It should be noted that in relation to certain points, the following description deals with issues for which there is no official interpretation and thus reflects the Company's own interpretation. Shareholders should consult their usual tax adviser to determine the taxation rules applicable to their individual circumstances. In addition, persons who are not resident in France for tax purposes must comply with applicable tax legislation in their country of residence, including, where applicable, the provisions of any taxation agreement entered into between France and their country of residence.

Important – the Distribution to Sopra Group S.A. shareholders shall be:

- in part a taxable distribution (the "Distribution Quota"); and
- for the remainder of the Distribution in excess of the Distribution Quota, a repayment of contributed assets.

Sopra Group S.A. considers that the Distribution Quota will be comprised of the entirety of the Cash Distribution together with a fraction of the Distribution of Axway Shares in the amount of approximately €8.56 per Axway share distributed. Once the precise amount of the fraction of the Distribution of Axway Shares constituting the Distribution Quota is known, it will be announced by Sopra Group on its website.

Where Axway Software shares received under the Distribution are sold, the taxable value of an Axway Software share to be used for the purposes of calculating the capital gain shall be equal to the actual value of an Axway Software share as at the Distribution Finalisation Date.

Deductions at source and tax and social security contributions that become payable on the Distribution Quota may be deducted in whole or in part from the Cash Distribution to be paid by Sopra Group S.A. as part of the Distribution.

(a) Tax treatment of shareholders resident in France for tax purposes

i. Natural persons holding Sopra Group S.A. shares as part of their personal assets and not carrying on stock exchange trading activities analogous to those of a person who carries on that type of activity for business purposes

Tax treatment of the Distribution Quota

The Distribution Quota shall be taxable as a dividend; in principle, therefore, it should be taken into account when determining a shareholder's total taxable income in the category of income from portfolio capital in respect of the year in which such income is received. In accordance with Article 158 of the French General Tax Code, the Distribution Quota shall in this case be subject to the sliding income tax scale after applying the following:

- an uncapped 40% allowance on the gross amount received (hereinafter referred to as the "40% Allowance"),
- an annual allowance, applicable after the 40% Allowance and any deductible fees and expenses have been deducted, of an amount of €1,525 for single persons, widows, divorcees, individually taxed married persons and individually taxed civil partners, or of an amount of €3,050 for married couples or civil partners in accordance with Article 515-1 of the French Civil Code who are subject to joint taxation (hereinafter referred to as the "Fixed Annual Allowance").

However, pursuant to 3° f) of Article 158-3 of the French General Tax Code, dividends are not eligible for either of the aforementioned allowances where, in the course of a given year, a shareholder receives income in respect of all or part of which he opts to pay the 19% withholding tax described below.

In accordance with Article 117 *quater* of the French General Tax Code, the Distribution Quota, provided that it meets the eligibility criteria for the 40% Allowance laid down in Article 158, 3-2° of the French General Tax Code, may alternatively be subject to a flat rate withholding tax in lieu of income tax, charged at a rate of 19%. Beneficiaries wishing to avail themselves of this option, which is irrevocable, must communicate their wishes to the paying institution no later than the date on which they receive payment. Income subjected to this flat rate withholding tax is eligible for neither the 40% Allowance nor the Fixed Annual Allowance; consequently, the withholding tax applies to the gross amount of the Distribution Quota. Shareholders may decide to exercise this option in respect of all dividends received in the year (paid by both Sopra and other companies) or in respect only of certain dividends. However, once the option has been exercised even in part, any dividends that remain subject to the sliding income tax rate lose the benefit of the aforementioned allowances. Shareholders are therefore encouraged to contact their usual tax adviser to determine the appropriateness and consequences of such an option for their personal tax situation and to understand arrangements for exercising the option and paying the withholding tax, together with reporting requirements pertaining to the option, where the paying institution is located outside France.

Furthermore, irrespective of the taxation method chosen by a shareholder (sliding income tax scale or withholding tax), the following social security contributions shall be due on the gross amount of the Distribution Quota (before either of the aforementioned two allowances are applied, as the case may be):

- the 8.2% *contribution sociale généralisée* (general social security contribution) (up to 5.8% of which is deductible from taxable income provided that dividends are subject to the sliding income tax scale);
- the 0.5% *contribution pour le remboursement de la dette sociale* (social security debt repayment contribution);
- the 2.2% *prélèvement social* (social security withholding);

- the two contributions in addition to the 2.2% *prélèvement social* (at a rate of 0.3% and 1.1% respectively).

These social security contributions are deducted at source by the institution paying out distributed income subject to those contributions.

Finally, it should be noted that the Distribution Quota shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes, where it is paid outside France in a non-cooperative territory as defined in Article 238-0 A of the French General Tax Code. Affected persons are encouraged to contact their tax adviser.

Tax treatment of the repayment of contributed assets (amount of the Distribution in excess of the Distribution Quota)

Subject to the following, that part of the Distribution that constitutes a repayment of contributed assets shall not be subject to tax. This amount should, however, be deducted from the taxable value of Sopra Group S.A. shares for the purposes of calculating the capital gain or loss on any subsequent sale of Sopra Group S.A. shares (Ruling 2006/55 (FP) of 5 December 2006).

Shareholders for whom the taxable value of Sopra Group S.A. shares is less that the amount of the repayment of contributed assets are encouraged to contact their usual tax adviser to determine the tax treatment to be applied to this difference.

For shareholders eligible for deferred taxation in respect of a transfer of assets or share swap carried out before 1 January 2000, the effect of the Distribution, depending on the administration in question, shall be to terminate this deferred taxation arrangement (as defined in Appendix 1 of Instruction 5 C-1-01 of 13 June 2001 and administrative doctrine 5 G-4531, no. 30, of 15 September 2000).

Persons affected by deferred taxation or suspended taxation (for transfers of assets or share swaps carried out since 1 January 2000) are encouraged to contact their tax adviser to assess the resulting tax impacts.

ii. Legal entities subject to corporate income tax

Tax treatment of the Distribution Quota

Legal entities with the status of parent companies in France

Legal entities holding at least 5% of Sopra Group S.A.'s capital and voting rights and meeting the criteria laid down in Articles 145 and 216 of the French General Tax Code may, at their option, be eligible for exemption in respect of dividends corresponding to the Distribution Quota under tax rules applicable to parent companies and their subsidiaries. Article 216 of the French General Tax Code does, however, require legal entities receiving such dividends to add back to their taxable earnings, at the ordinary tax rate, a fixed proportion of fees and expenses set at 5% of the amount of dividends received.

It should, however, be noted that distributions carried out by the Company shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes, where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. Affected persons are encouraged to contact their tax adviser.

Legal entities not having the status of parent companies in France

For legal entities other than those with the status of parent companies, dividends received (including the Distribution Quota) must be included in income subject to corporate income tax at the rate of 33⅓%. To this is added, where applicable, a social security contribution equal to 3.3% of corporate income tax, after applying an allowance of €763,000 per 12-month period (Article 235 *ter* ZC of the French General Tax Code). However, pursuant to Article 219 I-b of the French General Tax Code, for legal entities with annual pre-tax sales of less than €7,630,000 and at least 75% of whose paid-up share capital is held on an uninterrupted basis throughout the year in question by natural persons or legal entities meeting all these criteria, the corporate income tax rate is set at 15%, up to a limit of €38,120 of taxable profit per 12-month period. Such legal entities are also exempt from the aforementioned 3.3% social security contribution.

It should further be noted that distributions carried out by the Company shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes, where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. Affected persons are encouraged to contact their tax adviser.

Tax treatment of the repayment of contributed assets (amount of the Distribution in excess of the Distribution Quota)

Subject to the following, that part of the allocation that constitutes a repayment of contributed assets should not be subject to tax but should correspondingly be deducted from the taxable value of Sopra Group S.A. shares for the purposes of calculating capital gains on the sale of Sopra Group S.A. shares. It should, however, be noted that this position is taken from Ruling 2006/55 (FP) of 5 December 2006, which covers the circumstances of natural persons only. Affected legal entities are encouraged to contact their usual tax adviser.

Shareholders for whom the taxable value of Sopra Group S.A. shares is less that the amount of the repayment of contributed assets are encouraged to contact their usual tax adviser to determine the tax treatment to be applied to this difference.

(b) Tax treatment of shareholders not resident in France for tax purposes

Tax treatment of the Distribution Quota

Where the effective beneficiary's residence for tax purposes or registered office is located outside France, dividends paid by Sopra Group S.A. corresponding to the Distribution Quota are, in principle, subject to a deduction at source collected by the institution paying those dividends.

Subject to the following, the rate of this deduction at source is set at (i) 19% where the beneficiary is a natural person resident in a European Community Member State, Iceland or Norway, and (ii) 25% in all other cases.

This deduction at source may be reduced or eliminated pursuant to international taxation agreements or the provisions of Article 119 *ter* of the French General Tax Code applicable, under certain conditions, to legal entity shareholders resident in the European Community.

Furthermore:

- non-profit organisations having their registered office in a European Community Member State, Iceland or Norway may be eligible for deduction at source at a reduced rate of 15% provided that they meet the criteria laid down in the tax instruction of 15 January 2010 (BOI 4 H-2-10);

- provided that they meet the criteria set out in the tax instructions of 10 May 2007 (BOI 4 C-7-07) and 12 July 2007 (BOI 4 C-8-07), legal entities holding at least 5% of the Company's capital and voting rights may, under certain conditions, be eligible for exemption from the deduction at source if their effective management headquarters are located in a European Community Member State, Iceland or Norway. Affected shareholders are encouraged to contact their tax adviser to determine the extent to which and the conditions under which they may be eligible for such exemption.

However, distributions carried out by the Company shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes (subject, as the case may be, to any more favourable provisions included in international agreements), where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually.

It is up to affected shareholders to contact their usual tax adviser to determine, in particular, whether they are liable to be subject to the new legislation applicable to non-cooperative countries and territories and/or eligible for a reduction in or exemption from the deduction at source. Shareholders are also encouraged to familiarise themselves with practical arrangements for the application of international taxation agreements, as laid down, in particular, in the instruction of 25 February 2005 (BOI 4 J-1-05) on the so-called "normal" and "simplified" procedures for the reduction of or exemption from the deduction at source.

Tax treatment of the repayment of contributed assets (amount of the Distribution in excess of the Distribution Quota)

That part of the allocation that constitutes a repayment of contributed assets shall not be subject to taxation in France. This amount should, however, be deducted from the taxable value of Sopra Group S.A. shares used to calculate the French tax liability.

Shareholders for whom the taxable value of Sopra Group S.A. shares is less that the amount of the repayment of contributed assets are encouraged to contact their usual tax adviser to determine the tax rules to be applied to this difference.

26.1.4 Information used to assess the value of Axway

The price of Axway shares following the Distribution shall be set by matching orders on the NYSE Euronext regulated market in Paris during the first session in which those shares are traded, which is planned for 14 June 2011, subject the the Distribution being approved by Sopra Group S.A. shareholders at the Shareholders' General Meeting. The transaction includes neither a public offering, nor a private placement, nor the subscription or acquisition of Axway shares by investors such as might suggest a potential market valuation for Axway shares. The following valuation factors are provided on an indicative basis only; under no circumstances should they be taken as a prediction of the price at which Axway shares will be traded.

The information needed to prepare the valuation factors set out below, and in particular forecast information relating to certain companies in the software sales sector, is taken from publicly available documents including the following:

- annual reports;
- the latest published financial reports;
- recently published research reports on the companies involved or consensus-based "IBES" information.

Consequently, this information has not been independently verified.

Euronext will indicate in a notice to be published prior to the date of the initial listing of Axway shares the share price that will serve as the reference for the initial listing. This reference price will be used solely to set reservation thresholds and will not determine the price at which Axway shares are traded.

Among the standard valuation methods used, the market multiples method aims to compare Axway with the closest possible sample of listed companies in terms of:

- business profile,
- markets,
- geographical regions in which they operate,
- size segments.

As part of the work to assess the value of Axway, a sample was constructed consisting of three distinct categories of listed company:

i) Players operating in the same markets as Axway

The selected companies in this category are Tibco, Software AG, Oracle and SAP. These groups are listed companies operating mainly in the sectors in which Axway operates and whose strategies cover the majority of the business interaction networks segment. They operate in relevant markets which are comparable to those in which Axway operates in terms of growth rates and development prospects.

It should be noted that they are significantly larger in size than Axway. In particular, SAP and Oracle, which operate in both the application software ("ERP" or "Enterprise Resource Planning") and infrastructure software sectors, generate a minority proportion of their sales in business interaction networks.

Tibco: with 2010 revenue of $754 million, this US company is a major player in infrastructure software and a direct competitor of Axway, with a presence in the business infrastructure, business process management and business analytics markets. Tibco has recently also developed a cloud computing offering (Tibco Silver).

Software AG: with 2010 revenue of €1.1 billion, this German group is a major player in the general middleware segment (including by way of its significant legacy offering in mainframes) and a direct competitor of Axway in some segments, including in particular business process management, where Software AG has strengthened its position by buying WebMethod in 2007 and IDS Scheer in 2009.

Oracle: with 2010 revenue of $26.8 billion, Oracle is one of the world's largest ERP players, though it has also developed a major middleware business (with Oracle Fusion). This business has been developed mainly through external growth: PassLogix, AmberPoint, Silver Creek Systems, HyperRoll, etc. Oracle is a competitor of Axway in a number of business process management and service-oriented architecture products.

SAP: with 2010 revenue of €12.5 billion, SAP group is a leading European player. This German vendor mainly supplies ERP systems, though it also operates in the middleware sector, in which it has a wide range of products, as well as offering underlying infrastructure solutions (Netweaver, etc.), thus serving some segments of the business interaction networks market. SAP is a competitor of Axway in the business process management segment.

ii) Pure players in the middleware and general infrastructure software segments

This second category consists of companies whose main business is in markets similar to and, in some ways, comparable to those in which Axway operates: middleware and infrastructure software sales.

CA Technologies: with 2010 revenue of $4.4 billion, CA Technologies is a major US infrastructure software vendor with, in particular, an IT operations and security offering. CA Technologies also has a business process management offering (Aion) that competes with that of Axway.

Progress Software: with 2010 revenue of $193 million, this US group is a middleware player operating in segments similar to those in which Axway operates (business process management, enterprise messaging, etc.). This infrastructure software vendor has gradually extended the scope of its offering (via acquisitions) out from its core business: application development tools. Progress Software is a competitor of Axway in particular through offerings such as Sonic, Artix, Orbix, Orbacus, etc.

Micro Focus: with 2010 revenue of $433 million, Micro Focus is a medium-sized British vendor of middleware and business process management solutions. In the business process management and service-oriented architecture segments, Micro Focus has recently acquired Borland and some of Compuware's businesses (Borland Enterprise Server, AppServer, Visibroker Editions, Deployment Op-Center, Janeva, etc.).

iii) Medium-sized French players

Following its listing, Axway will be one of a group of medium-sized software vendors listed on the Paris stock exchange. Though they operate in different segments from those in which Axway operates, two companies have been included in the sample to reflect valuations seen in this group.

Cegid is France's fourth largest software vendor (Truffle 100 ranking as at April 2010). Cegid covers the business application segment (accounting, consolidation, reporting, etc.), a positioning which, though different from that of Axway, makes it a major player in the enterprise software market.

Linedata is a financial software vendor operating in the banking software package segment, an important vertical market for Axway.

Software vendors not included in the sample

A number of companies were not included in the sample:

IBM, the world's leading middleware supplier, was excluded because software development accounts for less than 20% of its revenue, even after the 2010 acquisition of Sterling Commerce, which operates in most of the business sectors in which Axway operates and has been absorbed by IBM's Websphere division.

Microsoft was ruled out as a result of the size differential between it and Axway and its only marginal positioning in the business interaction networks segment. Of the world's "Big 4" vendors, then, only SAP and Oracle were included in the sample.

Other software vendors in the broad sense of the term, both in France (Dassault Systèmes, Cegedim, Avanquest, Sword, Infovista, etc.) and in Europe (Sage, Autonomy, Misys, Temenos, etc.), were not included in the sample as a result of their business positioning and/or their growth or profitability outlook being too far removed from those of Axway. In this sense, extending the sample would not have improved the relevance of the analysis.

On the face of it, companies specialising in only one of the business interaction networks sub-segments could have been included in the sample. However, most of these companies are either unlisted or small in size. For example, US company Globalscape was not deemed to be sufficiently comparable in terms of size (with revenue of less than €20 million) to be included in the sample.

Finally, Accellion, YouSendIt and Inovis, all three of which operate in one or more sub-segments of the business interaction networks segment, are unlisted.

The multiples set out in the following table are calculated as the ratio of the enterprise value[7] of companies in the sample based on spot prices as at 26 April 2011 to forecast 2011 and 2012 revenue, EBITDA[8] and EBIT obtained from a consensus of analysts' forecasts for the companies in question.

References to revenue multiples must be considered with caution insofar as the latter do not take into account differences in the profitability levels of companies in the sample.

The EBITDA and EBIT multiples used and set out in the table below are post-SBC (share-based compensation), given the significance of components of compensation paid in the form of shares by some of the US companies included in the comparison.

P/E multiples were not used because of the wide variety of financial structures represented by companies in the sample.

It should be noted that multiples for Tibco, Oracle, CA Technologies, Progress Software and Micro Focus[9] are based on calendarised data.

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[7] For the purposes of applying the market multiples method, enterprise value is defined as follows: market capitalisation + net financial debt + minority interests.

[8] EBITDA is defined as net operating income before amortisation, depreciation and impairment charges. EBITDA is not a measure defined by accounting principles. Since EBITDA is calculated differently from company to company, the EBITDA data in this document may not be comparable with EBITDA data published by other companies. Forecasts of the various financial measures used in assessing the valuation are taken from research reports published by financial analysts.

[9] On 26 April 2011, the Board of Directors of Micro Focus confirmed receipt of a "very preliminary offer and indicative bid" for the possible buyout of the company. The Board of Directors also announced that it is in the process of preparing a response to this communication. In addition, it should be understood that this indicative bid may or may not lead to a firm offer, and that no information on the potential offer price is currently available.

	Share price	Stock market cap €m	Enterprise Value	Revenue			EBITDA Post SBC			EBIT Post SBC		
				'10A	'11E	'12E	'10A	'11E	'12E	'10A	'11E	'12E
i) Participants positioned in Axway's markets												
Tibco	$ 29.50	3,508	3,354	6.22x	5.65x	5.11x	27.1x	22.4x	21.7x	29.4x	24.0x	20.7x
Software AG	€ 122.80	3,493	3,684	3.29x	3.11x	2.93x	12.0x	11.0x	10.1x	13.7x	12.3x	11.3x
Oracle	$ 34.97	120,801	114,534	5.21x	4.43x	4.05x	10.0x	8.5x	7.9x	11.8x	9.9x	9.0x
SAP	€ 45.89	54,671	55,141	4.40x	3.84x	3.46x	12.1x	11.1x	9.8x	13.8x	11.9x	10.4x
ii) Other market participants in middleware or infrastructure in general												
CA Technologies	$ 24.39	8,528	7,829	2.56x	2.47x	2.37x	6.6x	6.1x	5.8x	8.3x	7.6x	6.7x
Progress Software	$ 29.50	1,433	1,179	3.23x	3.03x	2.81x	11.3x	8.7x	7.4x	12.1x	9.3x	8.2x
Micro Focus	£ 3.61	834	837	2.82x	2.80x	2.77x	7.8x	7.8x	7.3x	8.1x	8.1x	7.6x
iii) Mid-sized French market participants												
Cegid	€ 23.33	215	293	1.17x	1.10x	1.05x	5.0x	4.3x	3.9x	10.8x	8.5x	7.4x
Linedata	€ 13.15	145	145	1.06x	1.04x	0.99x	5.3x	5.1x	4.8x	6.8x	7.3x	6.8x

	Revenue growth			EBITDA-margin Post SBC			EBIT-margin Post SBC		
	'10A	'11E	'12E	'10A	'11E	'12E	'10A	'11E	'12E
i) Participants positioned in Axway's markets									
Tibco	24.2%	10.2%	10.4%	23.0%	25.3%	23.6%	21.2%	23.5%	24.7%
Software AG	32.1%	5.8%	6.1%	27.5%	28.2%	29.0%	24.0%	25.2%	26.0%
Oracle	26.3%	17.6%	9.2%	52.3%	52.0%	51.0%	44.2%	44.7%	45.1%
SAP	17.5%	14.4%	11.2%	36.2%	34.6%	35.4%	31.9%	32.3%	33.2%
ii) Other market participants in middleware or infrastructure in general									
CA Technologies	3.1%	3.7%	4.3%	38.9%	40.2%	41.2%	31.0%	32.7%	35.2%
Progress Software	7.3%	6.8%	7.6%	28.7%	34.7%	38.1%	26.7%	32.5%	34.3%
Micro Focus	14.0%	0.6%	1.2%	36.1%	36.1%	37.9%	34.8%	34.7%	36.5%
iii) French market participants of comparable size									
Cegid	0.4%	6.9%	4.2%	23.7%	25.5%	26.9%	10.8%	12.9%	14.3%
Linedata	(5.8)%	2.4%	4.4%	19.9%	20.2%	20.6%	15.7%	14.2%	14.7%
Axway	**14.4%**	**-**	**-**	**15.7%**	**-**	**-**	**14.0%**	**-**	**-**

26.1.5 Interests of natural persons and legal entities participating in the issue

The transaction described in this Prospectus shall not give rise to any public issue or offering. Furthermore, it should be noted that all Sopra Group S.A. shareholders will be eligible for the Distribution on a strictly equal basis.

26.2 Description of shares in the Company

26.2.1 Type, category and vesting date of shares admitted to trading – ISIN code

The 16,120,513 shares in the Company in respect of which an application for admission to trading on the NYSE Euronext regulated market in Paris has been submitted represent the entirety of the Company's shares constituting its capital as at the Distribution Finalisation Date, following completion of the Preliminary Transactions set out in Section 26.1.1.4, with a par value of €2 each and fully paid up.

Shares in the Company will entitle shareholders to receive all distributions of dividends, interim dividends, reserves or equivalent distributions as soon as they are admitted to trading on the NYSE Euronext regulated market in Paris.

The Company's shares will be traded on the NYSE Euronext regulated market in Paris under ISIN code FR 0011040500.

The mnemonic code for the Company's shares is: AXW.

The Company's ICB business sector is: 9537 Logiciels* / Software**

26.2.2 Applicable law and competent courts

The Company's shares are subject to French law.

In the event of a dispute with the Company, the competent courts shall be those of the place where the Company has its registered office in cases where the Company is the defendant, and shall be determined in accordance with the nature of the dispute where the Company is the plaintiff, unless otherwise stipulated in the French Code of Civil Procedure.

26.2.3 Form of shares and registration procedure for Company shares

The shares of the Company may be in either registered or bearer form, at the shareholder's discretion.

Pursuant to the provisions of Article L. 211-3 of the French Monetary and Financial Code, all Company shares will be registered in a securities account maintained by either the Company or an authorised intermediary, as the case may be.

Accordingly, shareholders' rights will be represented by those shares being registered in an account in the holder's name in the records of:

- CM-CIC, 4 rue Gaillon, 75002 Paris, appointed by the Company for directly registered shares;
- an authorised financial intermediary of the holder's choice and CM-CIC, appointed by the Company, for intermediary-registered shares;
- an authorised financial intermediary of the holder's choice for bearer shares.

In accordance with Articles L. 211-15 and L. 211-17 of the French Monetary and Financial Code, Company shares are transferred by way of a corresponding account-to-account transfer, and ownership is transferred by virtue of those shares being registered in the buyer's securities account.

All the Company's shares will be covered by an application for admission to the operations of Euroclear France, which will clear shares between custody account-keepers. They will also be covered by an application for admission to the operations of Euroclear Bank S.A./N.V. and Clearstream Banking, a Luxembourg *société anonyme*.

According to the indicative timetable, Company shares should be registered in securities accounts and available for trading with effect from 14 June 2011.

26.2.4 Currency of issue

Securities in respect of which an application for admission has been submitted will be issued in euros.

26.2.5 Rights attached to shares

As soon as they are created, shares in the Company shall immediately be subject to all stipulations in the Company's Articles of Association.

Under current French legislation and the Company's Articles of Association as applicable at the admission date, the main rights attached to shares in the Company shall be as follows:

(a) Dividend rights; right to a share in the Company's profits

Each share entitles its holder to a share of ownership of the Company's assets and a share of distributed profits and liquidating dividends in proportion to the total number of shares outstanding, taking into account the par value of shares and rights attached to shares in different categories.

In addition, each share entitles its holder to vote and be represented at Shareholders' General Meetings, in accordance with legal and statutory conditions.

Shareholders are liable for the Company's liabilities only up to the amount paid for their shares.

Rights and obligations remain attached to shares irrespective of who holds those shares.

Ownership of shares automatically entails full adherence to the Company's Articles of Association and decisions made at Shareholders' General Meetings. Whenever it is necessary to own more than one share in order to exercise a given right, including in particular cases of share exchanges, combinations or allocations or as a result of increases or reductions in the Company's capital, mergers or any other corporate action, individual shares or groups of less than the required number of shares shall not confer any rights against the Company, and shareholders must take it upon themselves to group together, and potentially buy or sell, the required number of shares or voting rights.

The Company's dividend policy is set out in Section 20.5 of this Prospectus.

(b) Voting rights

In accordance with the provisions of Article 12 of the Articles of Association, voting rights attached to capital-only shares or dividend shares shall be proportional to the portion of share capital they represent. Each share with the same par value shall entitle the holder to the same number of votes, with a minimum of one vote.

(c) Pre-emptive rights to acquire shares in the same category

Under current French legislation, and in particular Article L. 225-132 of the French Commercial Code, any cash equity issue entitles shareholders to a pre-emptive right to acquire new shares in proportion to their existing shareholdings.

Throughout the subscription period, this right may be traded when it is detached from shares which are themselves tradable. Otherwise, it is transferable in the same conditions as the shares themselves.

Individual shareholders may waive their pre-emptive rights, and shareholders may vote at a Shareholders' General Meeting to withdraw pre-emptive rights from all shareholders under the conditions laid down in Articles L. 225-135 et seq. of the French Commercial Code.

(d) Right to receive a share of any surplus in the event of liquidation

Any equity remaining once the par value of shares has been repaid is distributed among shareholders in proportion to their interest in the share capital (Article L. 237-29 of the French Commercial Code).

(e) Buyback clause; conversion clause

The Company's Articles of Association contain neither a share buyback clause nor a share conversion clause.

(f) Identification of shareholders

The Company keeps itself up-to-date with the composition of its ownership structure under the conditions laid down in law. As such, the Company is authorised to use all legal means to identify the holders of securities conferring an immediate or future right to vote at shareholders' meetings.

26.2.6 Restrictions on the free tradability of shares

The Articles of Association contain no clauses limiting the free tradability of shares forming the Company's capital.

26.2.7 French regulations in relation to public offerings

As soon as its shares are admitted to trading on the NYSE Euronext regulated market in Paris, the Company shall be subject to applicable French legislative and regulatory provisions in relation to mandatory public offerings, public buyback offers and squeeze-outs.

(a) Mandatory public offerings

Article L. 433-3 of the French Monetary and Financial Code and Articles 234-1 et seq. of the AMF General Regulations set out the conditions under which a mandatory public offering must be filed in respect of all participating securities and securities giving access to equity or voting rights in a company whose shares are admitted to trading on a regulated market.

(b) Public buyback offers and squeeze-outs

Article L. 433-4 of the French Monetary and Financial Code and Articles 236-1 et seq. (public buyback offers), 237-1 et seq. (squeeze-out following a public buyback offer) and 237-14 et seq. (squeeze-out following any public offering) of the AMF General Regulations set out the conditions under which a public buyout offer must be filed and a squeeze-out of minority shareholders must be carried out by companies whose shares are admitted to trading on a regulated market.

26.2.8 Takeover bid for the Company initiated by third parties during the previous or current financial year

Since no shares in the Company were admitted to trading on a regulated market as at the date on which this Prospectus was approved by the AMF, no takeover bids for the Company had been launched by third parties during the previous or the current financial year.

26.2.9 Taxation rules applicable to shares

Under current French legislation and applicable regulations, the tax rules set out below apply to both natural persons and legal entities holding shares in the Company.

Shareholders' attention is drawn to the fact that this overview is a summary of applicable tax rules, is given for general information only and is not intended to represent a full analysis of all the fiscal consequences liable to apply to a shareholder; it is recommended that shareholders study their own particular circumstances with the help of their usual tax adviser.

This overview is based on French legislation and agreements in force as of this writing.

Persons who are not resident in France for tax purposes must also comply with applicable tax legislation in their country of residence, subject to the existence of any taxation agreement entered into between France and that country.

Sopra Group S.A. shareholders should also carefully read Section 26.1.3 of this Prospectus to gain an understanding of the tax treatment applicable to the Distribution.

26.2.9.1 Shareholders resident in France for tax purposes

(a) Natural persons holding Axway Software shares as part of their personal assets and not carrying on stock exchange trading activities analogous to those of a person who carries on that type of activity for business purposes

i. Dividends

In principle, dividends are taken into account when determining a taxpayer's total taxable income in the category of income from portfolio capital in respect of the year in which such income is received. In accordance with Article 158 of the French General Tax Code, such dividends are eligible for the following:

- an uncapped 40% allowance on the gross amount received (hereinafter referred to as the "**40% Allowance**"),
- an annual allowance, applicable after the 40% Allowance and any deductible fees and expenses have been deducted, of an amount of €1,525 for single persons, widows, divorcees, individually taxed married persons and individually taxed civil partners, or of an amount of €3,050 for married couples or civil partners in accordance with Article 515-1 of the French Civil Code who are subject to joint taxation (hereinafter referred to as the "**Fixed Annual Allowance**").

However, pursuant to 3°f) of Article 158-3 of the French General Tax Code, dividends are not eligible for either of the aforementioned allowances where, in the course of a given year, a shareholder receives income in respect of all or part of which he opts to pay the 19% withholding tax described below.

In accordance with Article 117 *quater* of the French General Tax Code, dividends meeting the eligibility criteria for the 40% Allowance laid down in Article 158,3-2° of the French General Tax Code may be subject to a flat rate withholding tax in lieu of income tax, charged at a rate of 19%. Beneficiaries wishing to avail themselves of this option, which is irrevocable, must communicate their wishes to the paying institution no later than the date on which they receive the dividends in question. Income subjected to this flat rate withholding tax is eligible for neither the 40% Allowance nor the Fixed Annual Allowance.

Taxpayers may decide to exercise this option in respect of all dividends received in the year (paid by both Axway and other companies) or in respect only of certain dividends. However, once the option has been exercised even in part, any dividends in respect of which the taxpayer has not exercised this option, and which therefore remain subject to the sliding income tax rate, lose the benefit of the aforementioned allowances.

Irrespective of the taxation method chosen by a shareholder (sliding income tax scale or withholding tax), the following social security contributions shall be due on the gross amount of any dividends:

- the 8.2% *contribution sociale généralisée* (general social security contribution) (up to 5.8% of which is deductible from taxable income provided that dividends are subject to the sliding income tax scale);
- the 0.5% *contribution pour le remboursement de la dette sociale* (social security debt repayment contribution);
- the 2.2% *prélèvement social* (social security withholding);
- the two contributions in addition to the 2.2% *prélèvement social* (at a rate of 0.3% and 1.1% respectively).

These social security contributions are deducted at source by the institution paying out distributed income subject to those contributions.

Finally, it should be noted that distributions carried out by the Company shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes, where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually. Affected persons are encouraged to contact their tax adviser.

ii. Capital gains

Pursuant to Article 150-A of the French General Tax Code, the full amount of any capital gains realised by natural persons on the sale of shares is subject to income tax at the overall rate of 31.3%. This overall rate may be broken down as follows:

- income tax at the proportional rate of 19%;
- the 8.2% *contribution sociale généralisée* (general social security contribution);
- the 0.5% *contribution pour le remboursement de la dette sociale* (social security debt repayment contribution);
- the 2.2% *prélèvement social* (social security withholding); and
- the two contributions in addition to the 2.2% *prélèvement social* (at a rate of 0.3% and 1.1% respectively).

Any capital losses may be offset against capital gains in the same category realised in the year of sale or any of the following ten years.

Pursuant to Article 150-0 D *bis* of the French General Tax Code, capital gains on the sale of shares in the Company shall, in certain circumstances, be reduced by the amount of a one-third allowance for each year for which those shares are held over and above the fifth year; where they are held for more than eight years, they will be exempt from any income tax (correspondingly, capital losses may no longer be offset with effect from the eighth year for which shares are held). In principle, the length of time for which shares are held is counted from 1 January in the year of acquisition or subscription of the securities or rights or 1 January 2006 where they were acquired or subscribed at an earlier date: in practice, the allowance will only apply to sales completed with effect from 1 January 2012, and exemption will only apply to sales completed with effect from 1 January 2014. Social security contributions shall continue to be due on the full amount of any capital gains.

iii. Special rules applicable to "PEA" personal equity plans

Shares in the Company may be held in a "PEA" (*plan d'épargne en actions* – personal equity plan). PEAs were established by Act no. 92-666 of 16 July 1992.

Subject to certain conditions, a PEA entitles the holder to the following: (i) throughout the term of the PEA, exemption from income tax and social security contributions on net income and net capital gains generated by investments held within the PEA, subject, in particular, to that income and those capital gains being kept within the PEA; and (ii) on closing the PEA (where it has been open for more than eight years), exemption from income tax on the net gain realised since the plan was opened; however, any such gain continues to be subject to the *contribution sociale généralisée* (general social security contribution), the *contribution au remboursement de la dette sociale* (social security debt repayment contribution), the 2% *prélèvement social* (social security withholding) and the additional social security contribution, at the applicable rate as at the date on which the gain is realised.

You are encouraged to contact your usual tax adviser for more information about PEAs.

*iv. Wealth tax (*impôt de solidarité sur la fortune*)*

Shares in the Company held by natural persons as part of their personal assets shall be included within their assets subject to the wealth tax (*impôt de solidarité sur la fortune*).

v. Inheritance and gift tax

Shares in the Company passed on by way of inheritance or gift shall be subject to inheritance or gift tax in France.

(b) Legal entities subject to corporate income tax

i. Dividends

Legal entities with the status of parent companies in France

Legal entities holding at least 5% of Sopra Group S.A.'s capital and voting rights and meeting the criteria laid down in Articles 145 and 216 of the French General Tax Code may, at their option, be eligible for exemption in respect of dividends under tax rules applicable to parent companies and their subsidiaries, provided that a proportion of fees and charges, set at a flat rate of 5% of the amount of dividends received (including tax credits), is added back to their net income taxable at the ordinary rate.

It should, however, be noted that dividends shall be subject to a 50% deduction at source, irrespective of the beneficiary's residence for tax purposes, where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually. Affected persons are encouraged to contact their tax adviser.

Legal entities not having the status of parent companies in France

For legal entities other than those with the status of parent companies, dividends are included in income subject to corporate income tax at the rate of 33⅓%. To this is added, where applicable, a social security contribution equal to 3.3% of corporate income tax, after applying an allowance not exceeding €763,000 per 12-month period (Article 235 *ter* ZC of the French General Tax Code).

However, pursuant to Article 219 I-b of the French General Tax Code, for legal entities with annual pre-tax sales of less than €7,630,000 and at least 75% of whose paid-up share capital is held on an uninterrupted basis throughout the year in question by natural persons or legal entities meeting all these criteria, the corporate income tax rate is set at 15%, up to a limit of €38,120 of taxable profit per 12-month period. Such legal entities are also exempt from the aforementioned 3.3% social security contribution.

It should, however, be noted that dividends shall be subject to a 50% deduction at source, irrespective of the beneficiary's residence for tax purposes, where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually. Affected persons are encouraged to contact their tax adviser.

ii. Capital gains

Ordinary rules

In principle, capital gains and losses realised on the sale of shares in the Company are included in net income subject to corporate income tax at the rate of 33⅓%. To this is added, where applicable, a social security contribution equal to 3.3% of corporate income tax, after applying an allowance not exceeding €763,000 per 12-month period (Article 235 *ter* ZC of the French General Tax Code).

Subject to the conditions laid down in Articles 219, I-b and 235 *ter* ZC of the French General Tax Code, certain legal entities may be eligible for a reduced corporate income tax rate of 15% and exemption from the 3.3% social security contribution.

Special rules applicable to long-term capital gains

In accordance with the provisions of Article 219, I-a *quinquies* of the French General Tax Code, net gains realised on the sale of shares held for at least two years and qualifying as equity interests as defined in that Article are eligible to be taxed under special rules applicable to long-term capital gains; consequently, such gains are eligible for exemption, subject to a proportion of fees and charges equal to 5% of net income from capital gains realised on the sale being included within the calculation of income taxable at the ordinary rate.

Equity interests as defined in Article 219, I-a *quinquies* of the French General Tax Code are securities (other than securities in companies mainly trading in property) classed as equity interests from an accounting perspective, shares acquired in accordance with a takeover bid or share exchange offer by the initiating company and securities eligible for taxation under the parent company rules set out in Articles 145 and 216 of the French General Tax Code where those shares or securities are recorded for accounting purposes in the equity interests account or in a special subdivision of another account on the balance sheet corresponding to their accounting description.

Capital losses on the sale of securities subject to the rules set out in Article 219, I-a *quinquies* of the French General Tax Code may only be offset against capital gains of the same type realised in the same financial year, and may not be carried forward.

26.2.9.2 Shareholders not resident in France for tax purposes

(a) Dividends

Under domestic French law, dividends paid by a company whose registered office is in France to shareholders whose residence for tax purposes or registered office is located outside France are, in principle, subject to a deduction at source collected by the institution paying those dividends.

The rate of this deduction at source is set at (i) 19% where the beneficiary is a natural person resident in a European Community Member State, Iceland or Norway, and (ii) 25% in all other cases.

This deduction at source may be reduced or eliminated pursuant to international taxation agreements or the provisions of Article 119 *ter* of the French General Tax Code applicable, under certain conditions, to legal entity shareholders resident in the European Community.

Furthermore:

- non-profit organisations having their registered office in a European Community Member State, Iceland or Norway may be eligible for deduction at source at a reduced rate of 15% provided that they meet the criteria laid down in the tax instruction of 15 January 2010 (BOI 4 H-2-10);
- provided that they meet the criteria set out in the tax instructions of 10 May 2007 (BOI 4 C-7-07) and 12 July 2007 (BOI 4 C-8-07), legal entities holding at least 5% of the Company's capital and voting rights may, under certain conditions, be eligible for exemption from the deduction at source if their effective management headquarters are located in a European Community Member State, Iceland or Norway. Affected shareholders are encouraged to contact their tax adviser to determine the extent to which and the conditions under which they may be eligible for such exemption.

It should, however, be noted that distributions carried out by the Company shall be subject to a 50% deduction at source, irrespective of the shareholder's residence for tax purposes and status (subject, as the case may be, to any more favourable provisions included in international agreements), where they are paid outside France in a non-cooperative country or territory as defined in Article 238-0 A of the French General Tax Code. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually.

It is up to affected shareholders to contact their usual tax adviser to determine, in particular, whether they are liable to be subject to legislation applicable to non-cooperative countries and states and/or eligible for a reduction in or exemption from the deduction at source. Shareholders are also encouraged to familiarise themselves with practical arrangements for the application of international taxation agreements, as laid down, in particular, in the instruction of 25 February 2005 (BOI 4 J-1-05) on the so-called "normal" and "simplified" procedures for the reduction of or exemption from the deduction at source.

(b) Capital gains

Subject to the stipulations of applicable international taxation agreements, capital gains realised on the sale of shares in the Company by persons or entities not resident in France for tax purposes as defined in Article 4 B of the French General Tax Code or whose registered office is located outside France, and where their ownership of those shares is not connected with a permanent establishment or fixed base subject to tax in France, are not taxable in France provided that the seller, where this is a natural person, has not directly or indirectly held more than 25% of the rights to the profits of the company whose shares are sold, whether alone or as part of a family group, at any time in the five years preceding the sale. Capital gains realised on the sale of an interest exceeding the 25% threshold, or which has exceeded that threshold during the aforementioned period, are subject to tax in France at the proportional rate currently set at 19%, subject to the stipulations of applicable international taxation agreements. It should, however, be noted that, subject to the stipulations of applicable international taxation treaties, capital gains realised on the sale of shares in the Company by persons or entities resident or established in a non-cooperative country or territory as defined in Article 238-0 of the French General Tax Code are taxed at a flat rate of 50% irrespective of the percentage of rights to the Company's profits held by them. A list of non-cooperative countries and territories is published by inter-ministerial decree and updated annually.

*(c) Wealth tax (***impôt de solidarité sur la fortune***)*

Natural persons not resident in France for tax purposes are not subject to wealth tax in France in respect of their financial investments as defined in Article 885 L of the French General Tax Code.

(d) Inheritance and gift tax

Subject to the stipulations of international taxation agreements, securities issued by French companies and acquired by natural persons by way of inheritance or gift shall be subject to inheritance or gift tax in France.

26.2.9.3 Other shareholders

Shareholders subject to taxation rules other than those referred to above are encouraged to contact their usual tax adviser to determine the tax rules to be applied to their specific circumstances.

26.3 Trading arrangements

26.3.1 Admission to trading

An application has been submitted for all shares in the Company to be admitted to trading on the NYSE Euronext regulated market in Paris (Compartment B).

The listing conditions for all shares in the Company shall be stipulated in a notice to be published by NYSE Euronext no later than the first day on which those shares are listed – that is, according to the provisional timetable, 14 June 2011.

The Company has submitted no other application for admission to trading on any other regulated market.

26.3.2 Market of listing

As of this writing, shares in the Company have not been admitted to trading on any financial market, whether or not regulated.

26.3.3 Liquidity agreement

The Company plans to enter into a liquidity agreement in relation to its shares at the date on which they are admitted to trading on the NYSE Euronext regulated market in Paris. In particular, the purpose of such an agreement would be to reduce the volatility of shares in the Company.

26.3.4 Expenses arising from the transaction

Legal and administrative expenses to be borne by the Group in respect of all transactions and activities set out in this Prospectus are estimated to amount to approximately €3.5 million.

GLOSSARY

Term	Definition
appliance	Complete turnkey solution including hardware with pre-installed and pre-configured software.
ASP	An abbreviation for *application service provider*. A service provider offering organisations access to applications and related services over the Internet, with invoicing based on usage.
B2B	An abbreviation for *business-to-business*. Describes all electronic communications between businesses or organisations.
business process outsourcing (**BPO**)	A subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions or processes to a third-party service provider.
business interaction networks	Networks that allow businesses and their communities of interest to collaborate and do business online via the Internet.
cloud computing	Internet-based data storage, compute capacity and related functions offered by a service provider over a private or public network, whereby shared resources, software and information are provided to computers and other devices on demand.
cross-selling	Sale to existing clients of additional products or services not functionally related to those already deployed.
DLP	An abbreviation for *data loss prevention* or *data leak prevention*. A set of systems used to detect and prevent the unauthorised use and transmission of confidential information.
EAI	An abbreviation for *enterprise application integration*. An integration framework composed of a collection of technologies and services forming a middleware to enable integration of systems and applications across the enterprise.
EDI	An abbreviation for *electronic data interchange*. The structured transmission of data, in compliance with standards and protocols, between organisations by electronic means.
enterprise edge/boundary security/protection	Class of security systems involved in the management of data flows entering or exiting information systems, at their boundaries.
ERP	An abbreviation for *enterprise resource planning*. An integrated computer-based system used to manage internal and external resources, consolidating all business operations within a uniform and enterprise-wide system environment.
enterprise service bus (**ESB**)	Used to describe technologies or an approach implemented by systems to allow for interactions between applications by means of services. These technologies provide for the definition and dissemination of these services as well as their messaging architecture.
HIPAA	An acronym referring to the Health Insurance Portability and Accountability Act. Enacted by the US Congress in 1996, HIPAA requires all medical providers, health insurance providers and managed care organisations to protect the privacy and security of their patients' medical information.
hybrid	Refers to an offer depending on a mix of on-premise software and on-demand cloud services.

implementation	The act of implementing or the state of being implemented.
managed services	Practice of transferring all or a portion of management responsibility for a computer application to a service provider.
mapping	Transformation of data from one format to another.
MFT	An abbreviation for *managed file transfer*. Software solutions facilitating the secure transfer of data from one computer to another over a network.
middleware	Infrastructure software layer designed to manage interactions between applications or systems.
Mission Critical	Axway's highest level of support provided on a contractual basis, including unlimited assistance via Web, phone and e-mail combined with personalised and proactive expert consultation, analysis and support services.
Odette	A set of standards used in the automotive industry for e-business communications, engineering data exchange and logistics management developed by Odette International, a European not-for-profit organisation formed by the industry.
on demand	Describes a solution made available to the user as needed and invoiced accordingly.
on premise	Describes a solution deployed and used within an organisation's own information system.
PCI DSS	An acronym referring to the Payment Card Industry Data Security Standards. A set of technical requirements and testing methods to help ensure the safe handling of sensitive cardholder information.
product life cycle (**PLC**)	Refers to the life cycle of a software product, from its design and development until its "end of life" and including all intermediate stages (e.g., general availability, end of maintenance).
pure player	A market player investing its resources in only one line of business.
quick start package	A software product coupled with a service offering to provide faster deployment and integration within the target system and organisation.
Premier	The second-highest level of maintenance provided on a contractual basis by Axway, involving assistance 24 hours a day, 7 days a week via the Web, by phone or by e-mail.
product life cycle management	Management of a product's entire life cycle, from design until "end of life".
RosettaNet	A globally supported standards organisation used and endorsed by more than 500 high-technology companies. Its members develop and implement open standards for the processing of B2B transactions, particularly for the global supply chain.
SaaS	Stands for "Software as a Service", a software application delivery model whereby a software publisher develops an application for use by multiple clients and a service provider hosts this application so that clients may use it via the Internet. Clients pay only for the use of the software, without actually purchasing the software itself.
scalability	The ability of a software product to continue to function well when it (or its context) is changed in size or volume in order to meet a user need.
interaction server	Set of software components required for the efficient development and operation of B2B interactions. Synchrony™ is Axway's interaction server product.
single window	Refers to the integration of services and the centralisation of administrative procedures across multiple public sector agencies and service providers or a

	single portal used by the members of a community.
straight-through processing (**STP**)	Technology providing for seamless automation of business processes all along a value chain designed to minimise human intervention and thus avoid execution delays. Widely used in certain areas of the financial sector where long transactions involving multiple institutions are involved.
supply chain	Processes and applications involved in moving a product or service from supplier to customer.
Synchrony™	Axway's platform bringing together most of the Group's software products using a single governance approach and a shared delivery method guaranteeing compatibility and interoperability.
systemic integration	Type of integration required by business interaction networks, encompassing interconnectivity, interoperability and semantic consistency as well as the ability to integrate technology with business processes, knowledge and human performance.
application management	Managed (recurring) service taking charge of the corrective and development-based maintenance of a software product (middleware application or full system) on behalf of a client.
value-added network (**VAN**)	Network provider offering value-added services beyond the normal transmission of data, such as solutions to facilitate EDI.

TABLE OF CONCORDANCE

This Prospectus has been prepared in accordance with Annexes I and III of Commission Regulation (EC) No. 809/2004 of 29 April 2004 (the "Regulation"). In the main, the structure used is that indicated in Annex I of the Regulation. For each of the headings listed in Annex III of the Regulation, the concordance table below indicates the sections of this document in which the corresponding disclosure requirements are fulfilled.

N°	Wording of headings and sections of Annex III of the Regulation	Section(s)
1	**Persons responsible**	
1.1	Persons responsible for the information given in the prospectus	1.1
1.2	Declaration by those responsible for the prospectus	1.2
2	**Risk factors**	**4**
3	**Key information**	
3.1	Statement on net working capital	3.2.1
3.2	Capitalization and indebtedness	3.2.2
3.3	Interest of natural and legal persons involved in the issue	26.1.5
3.4	Reasons for the offer and use of proceeds	26.1.1
4	**Information concerning the securities to be admitted to trading**	
4.1	Description of the type and the class of securities being admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code	26.2.1
4.2	Legislation under which the securities have been created	26.2.2
4.3	Form of securities issued	26.2.3
4.4	Currency of the securities issue	26.2.4
4.5	Rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights	26.2.5
4.6	Statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued	26.1.1.4
4.7	Expected issue date of the securities	26.1.1.3
4.8	Description of any restrictions on the free transferability of the securities	26.2.6
4.9	Indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities	26.2.7
4.10	Indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year in addition to the price or exchange terms attaching to such offers and the outcome thereof	26.2.8
4.11	Information on taxes on the income from the securities withheld at source, and indication as to whether the issuer assumes responsibility for the withholding of taxes at the source	26.2.9.1
5	**Terms and conditions of the offer**	
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer	
5.1.1	Conditions to which the offer is subject	Not applicable
5.1.2	Total amount of the issue	Not applicable
5.1.3	Time period during which the offer will be open and description of the application process	Not applicable

5.1.4	Revocation and suspension of the offer	Not applicable
5.1.5	Description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants	Not applicable
5.1.6	Details of the minimum and/or maximum amount of application	Not applicable
5.1.7	Period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription	Not applicable
5.1.8	Method and time limits for paying up the securities and for delivery of the securities	26.1.1.9
5.1.9	Manner and date in which results of the offer are to be made public	Not applicable
5.1.10	Procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised	Not applicable
5.2	Plan of distribution and allotment	
5.2.1	The various categories of potential investors to which the securities are offered	Not applicable
5.2.2	To the extent known to the issuer, an indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer	Not applicable
5.2.3	Pre-allotment disclosure	Not applicable
5.2.4	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made	Not applicable
5.2.5	Over-allotment and 'green shoe'	Not applicable
5.3	Pricing	
5.3.1	Price at which the securities will be offered	Not applicable
5.3.2	Process for the disclosure of the offer price	Not applicable
5.3.3	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn, indication of the basis for the issue price if the issue is for cash, together with the reasons for and beneficiaries of such restriction or withdrawal	Not applicable
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year, or which they have the right to acquire, include a comparison of the public contribution in the proposed public offer and the effective cash contributions of such persons	Not applicable
5.4	Placing and underwriting	
5.4.1	Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extend known to the issuer or to the offeror, of the placers in the various countries where the offer takes place	Not applicable
5.4.2	Name and address of any paying agents and depository agents in each country	26.2.3
5.4.3	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements in addition to an indication of the material features of the agreements, including the quotas	Not applicable
5.4.4	When the underwriting agreement has been or will be reached	Not applicable
6	**Admission to trading**	
6.1	Application of admission to trading for securities offered	26.3.1
6.2	Regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading	26.3.2

6.3	If simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, details of the nature of such operations and of the number and characteristics of the securities to which they relate	Not applicable
6.4	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment	26.3.3
6.5	Stabilization and over-allotment option	
6.5.1	The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time	Not applicable
6.5.2	Beginning and end of the period during which stabilization may occur	Not applicable
6.5.3	Identity of the stabilization manager for each relevant jurisdiction unless this is not known at the time of publication	Not applicable
6.5.4	The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail	Not applicable
7.	**Selling securities holders**	
7.1	Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates	Not applicable
7.2	Number and class of securities being offered by each of the selling security holders	Not applicable
7.3	Lock-up agreements	Not applicable
8	**Expense of the issue/offer**	
8.1	Total net proceeds and an estimate of the total expenses of the issue/offer	26.3.4
9	**Dilution**	
9.1	Amount and percentage of immediate dilution resulting from the offer	Not applicable
9.2	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe	Not applicable
10	**Additional information**	
10.1	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted	Not applicable
10.2	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report	Not applicable
10.3	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised the contents of that part of the Securities Note	Not applicable
10.4	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information	Not applicable

ANNEX I

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

To the Shareholders,

As the Statutory Auditors of your Company, we present our report on the regulated agreements which have been brought to our attention.

It is our responsibility to present to you, on the basis of the information given to us, the main features and conditions of the agreements about which we have been informed or that we might have discovered in the context of our assignment, without having to express an opinion on their usefulness or appropriateness or determine whether or not any other such agreements exist.

In accordance with the terms of Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the interest of entering into such agreements when they are submitted for your approval.

Furthermore, it is our duty to present to you information provided for in Article R.225-31 of the French Commercial Code related to the execution of agreements, if any, that have already been approved by the General Meeting in the year under review.

We have carried out the verifications we deemed necessary in accordance with the professional standards and doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC, the French national auditors' association) relating to this assignment. The verifications consisted in checking that the information given to us was consistent with the basic documents from which it derives.

1. Agreements subject to the approval of the General Meeting

1.1 Agreements authorised during the year under review

Pursuant to Article L. 225-40 of the French Commercial Code, we were informed of the following agreements, which has been granted prior authorisation by your Board of Directors.

- Debt forgiveness

  Your Board of Directors has authorized your company to forgive the following debts in favour of its subsidiaries:

Company concerned	Expense (-) in euros
Axway Srl	-€545,834

- Transfer of intellectual property

  Person concerned: Pierre Pasquier

  Your Board of Directors has authorised the transfer of intellectual property on Software held by Axway Inc. in favour of Axway Software.

  This transfer concerning products of Cyclone was made on the basis of a price in the amount of USD 18,200,000.

  The corresponding amount, which was €14,763,141, was recognised under fixed assets in your company.

- Agreements authorised, but not applied

  Your Board of Directors has authorised the following conventions, which have not been implemented during the financial year, in the framework of a reorganisation project which has been discontinued.

- ✓ Transfers of subsidiaries
- ✓ Successor agreement
- ✓ Transfer of brands

1.2 Agreements for which the prior authorisation procedure was not applied

Pursuant to Articles L. 225-42 and L. 823-12 of the French Commercial Code, we call to your attention the fact that the prior authorisation procedure was not applied by your Board of Directors for the agreement described below.

It is our responsibility to provide you with an explanation as to why the prior authorisation procedure was not applied.

- Agreement for the recharging of expenses and fees incurred in connection with the proposed spin-off of your company

  Persons concerned: François Odin, Pierre Pasquier and Sopra Group, represented by Christophe Bastelica.

  Sopra Group recharged your company a portion of the expenses and fees incurred in connection with the proposed spin-off of your company.

  The expenses resulting from these recharged expenses and fees recognised by your Company amounts to €3,209,548.

  The prior authorisation procedure was not applied for this agreement since these recharged expenses and fees were initially considered as falling under the agreement for assistance provided by functional divisions. However, the principle behind this agreement was presented to, and validated by, the Board of Directors during its meeting of 13 April 2011.

2. Agreements already approved by the General Meeting

2.1 Agreements approved during previous years

2.1.1 Agreements approved during previous years, which continued to be executed in the year under review

In application of Article R. 225-30 of the French Commercial Code, we were informed that the execution of the following agreements, already approved by the General Meeting in prior years, continued in the year under review.

■ Agreements between your company and Sopra Group

Agreements	Impact on the 2010 financial statements of Axway Software
Provision of premises	Expense of €3,363,420
Expense recharge Sopra Group charges Axway Software the proportion of the various expenses relating to the shared premises (telecoms, etc.)	Expense of €83,477
Provision of IT resources	Provision of assistance (provided by functional divisions)
Provision of assistance (provided by functional divisions)	Expense of €419,800
Tax consolidation The tax charge is apportioned as if no tax consolidation agreement applied	Income of €25,179

■ Cash management agreements

Company concerned	Balance of current account held with Axway Software at 31 December 2010	Expense (-) Income (+)
Sopra Group	€68,421,622 credit balance	-€1,502,919
Axway Belgium	€2,329,199 credit balance	-€11,037
Axway BV	€836,199 credit balance	-€4,279
Axway Gmbh	€11,000,000 credit balance	-€15,856
Axway Nordic	€1,085,478 credit balance	-€8,133
Axway Iberia	€1,328,257 credit balance	-€1,371
Axway Romania	€970,571 credit balance	-€4,966
Axway UK	€930,856 credit balance	-€861
Tumbleweed Communication GmbH	€979,846 credit balance	€0
Axway Pte Ltd	€709,038 debit balance	+€10,522
Axway Sdn Bhd	/	+€902
Axway Inc.	€9,217,886 debit balance	+€353,658
Axway Ltd	/	+€81
Axway Asia Pacific	/	+€5,242
Axway Software Korea	€403,045 debit balance	+€6,367
Axway Pty	/	+€2,140
Axway SAS	€1,835 debit balance	€0
Axway Holding Distribution	€523 debit balance	€0
Axway Distribution France	€724 debit balance	€0

2.1.2 Agreements approved in prior years which were not executed in the year under review

Furthermore, we were informed of the continuation of the following agreements which were already approved by the general meeting in prior years and which were not executed in the year under review.

- Agreement between your company and Sopra Group

Agreement	Impact on the 2010 financial statements
Commercial Support Payment of management fees for commercial support by Sopra Group	€0

Courbevoie and Paris, **13** April 2011,

Mazars
represented by
Christine Dubus

Auditeurs & Conseils Associés
represented by
François Mahé

ANNEX II

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

To the Shareholders,

As the Statutory Auditors of your Company, we present our report on the regulated agreements which have been brought to our attention.

Agreements authorised during the year under review

Pursuant to Article L. 225-40 of the French Commercial Code, we were informed of agreements which have been granted prior to authorisation by your Board of Directors.

We are not required to determine whether other agreements exist, but to provide, on the basis of the information given to us, the main features and conditions of those agreements about which we have been informed, without having to express an opinion on their usefulness or appropriateness. In accordance with the terms of Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the interest of entering into such agreements and commitments when they are submitted for your approval.

We have carried out the verifications we deemed necessary in accordance with the professional standards and doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC, the French national auditors' association) relating to this assignment. The verifications consisted in checking that the information given to us was consistent with the basic documents from which it derives.

Debts forgiven by your company in favour of its subsidiaries:

In order to ensure the financial sustainability of its commercial subsidiaries in Europe and Asia, Axway has agreed to forgive debts in favour of its subsidiaries having sustained a loss in the amount of their net liabilities of these subsidiaries.

Company concerned	Expense (-) / Income (+) in euros
Axway UK	-465,691
Axway Srl	-645,041
Axway Ltd	-346,722
Axway Pte Ltd	-1,561,323
Axway China	-279,565
Axway Pty	-138,906

Agreements approved in previous years which continued to be applied during the year

Moreover, in application of the French Commercial Code, we were informed that the execution of the following agreements, already approved in prior years, continued in the year under review.

Agreements between your company and Sopra Group	Impact on the 2009 financial statements
Provision of premises	Expense of €3,118,352
Expense recharge Sopra Group charges Axway Software the proportion of the various expenses relating to the shared premises (telecoms, etc.)	Expense of €214,605
Provision of IT resources	Expense of €2,403,673
Provision of assistance (provided by functional divisions)	Expense of €2,125,700
Commercial support Payment of management fees for commercial support by Sopra Group	No impact, agreement was not applied in 2009
Tax consolidation The tax charge is apportioned as if no tax consolidation agreement applied	Income of €25,179

Cash management agreement:

The amounts of income and expenses booked by Axway Software in financial year 2009 were the following:

Company concerned	Balance of current account held with Axway Software at 31 December 2009 (in euros) (CB: credit balance; DB: debit balance)	Expense (-) / Income (+) in euros
Sopra Group	CB: 79,600,195	-1,026,413
Axway Belgium	CB: 1,179,199	-15,780
Axway BV	CB: 836,199	-6,522
Axway Gmbh	CB: 9,200,000	-29,760
Axway Nordic	CB: 1,534,474	-12,870
Axway Iberia	CB: 711,257	-1,567
Axway Romania	CB: 970,571	-9,006
Axway UK	DB: 54,858	+8,098
Axway China	0	0
Axway Pte Ltd	DB: 601,664	+18,175
Axway Sdn Bhd	DB: 110,949	+1,353
Axway Inc.	DB: 67,357,559	+2,292,051
Axway Ltd	DB: 11,190	+3,304
Axway Asia Pacific	DB: 820,898	+15,816
Axway Software Korea	DB: 303,045	+2,807
Axway Pty	0	+266

Paris and Courbevoie, 26 April 2010
The Statutory Auditors

AUDITEURS &
CONSEILS ASSOCIES
PHILIPPE RONIN

MAZARS
CHRISTINE DUBUS

ANNEX III

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

To the Shareholders,

As the Statutory Auditors of your Company, we present our report on the regulated agreements which have been brought to our attention.

Agreements authorised during the year under review

Pursuant to Article L. 225-40 of the French Commercial Code, we were informed of agreements which have been granted prior to authorisation by your Board of Directors.

We are not required to determine whether other agreements exist, but to provide, on the basis of the information given to us, the main features and conditions of those agreements about which we have been informed, without having to express an opinion on their usefulness or appropriateness. In accordance with the terms of Article R. 225-31 of the French Commercial Code, it is your responsibility to assess the interest of entering into such agreements and commitments when they are submitted for your approval.

We have carried out the verifications we deemed necessary in accordance with the professional standards and doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC, the French national auditors' association) relating to this assignment. The verifications consisted in checking that the information given to us was consistent with the basic documents from which it derives.

Debts forgiven by your company in favour of its subsidiaries:

In order to ensure the financial sustainability of its commercial subsidiaries in Europe and Asia, Axway has agreed to forgive debts in favour of its subsidiaries having sustained a loss in the amount of their net liabilities of these subsidiaries.

Company concerned	Expense (-) / Income (+) in euros
Axway UK	-480,590
Axway Srl	-508,143
Axway Ltd	-579,973
Axway Pte Ltd	-1,740,054
Axway Sdn Bhd	-25,494
Axway Software Korea	-214,548
Axway China	-1,023,913

Agreements approved in previous years which continued to be applied during the year

Moreover, in application of the French Commercial Code, we were informed that the execution of the following agreements, already approved in prior years, continued in the year under review.

Agreements between your company and Sopra Group	Impact on the 2008 financial statements
Provision of premises	Expense of €2,842,044
Expense recharge Sopra Group charges Axway Software the proportion of the various expenses relating to the shared premises (telecoms, postal expenses, *taxe professionelle*, etc.)	Expense of €274,818
Provision of IT resources	Expense of €2,205,053
Provision of assistance (provided by functional divisions)	Expense of €2,623,000
Tax consolidation The tax charge is apportioned as if no tax consolidation agreement applied	Income of €25,179

Cash management agreement:

The amounts of income and expenses booked by Axway Software in financial year 2008 were the following:

Company concerned	Balance of current account held with Axway Software at 31 December 2008 (in euros) (CB: credit balance; DB: debit balance)	Expense (-) / Income (+) in euros
Sopra Group	CB: 78,476,565	-3,130,956
Axway Belgium	CB: 1,402,999	-41,058
Axway BV	CB: 536,199	+6,662
Axway GmbH	CB: 6,663,131	-219,802
Axway Nordic	CB: 1,356,539	-160,164
Axway Iberia	CB: 450,000	-9,299
Axway Romania	CB: 970,571	-8,726
Axway UK	DB: 1,008,365	+65,089
Axway China	0	+144
Axway Pte Ltd	DB: 489,020	+51,042
Axway Sdn Bhd	DB: 79,661	+3,001
Axway Inc.	DB: 64,412,866	+951,033
Axway Ltd	DB: 77,876	+16,143
Axway Asia Pacific	DB: 792,268	+41,716
Axway Software Korea	DB: 78,045	+10,912

Paris and Courbevoie, 30 April 2009
The Statutory Auditors

AUDITEURS &
CONSEILS ASSOCIES
Philippe Ronin

MAZARS
Christine Dubus