## 2008/2009 First-Half Earnings:
## Revenues on track: €51.2 million (-3% at constant exchange rates)
## Second quarter operating profit: +€0.7 million

## The United States and the United Kingdom secure most of the profitability while Continental Europe must be optimized again

## Strengthening of the financial situation through a capital increase to implement the mid-term growth strategy

**La Garenne-Colombes, France – November 13, 2008**

After two years of investments that allowed Avanquest Software to reach the € 100M mark and consolidate its position as one of the world's leading retail software publishers, the company is concentrating on organic growth and a return to stable profitability on all its activity areas.

Accordingly, the first half of FY 08/09 marked a significant stage in the upturn in earnings, which were heavily affected in recent months by adverse economic conditions in Europe which coincided with the acquisition of EMME.

However, thanks to the strategy set up over the previous exercise, the activities of the group in the United States, in the United Kingdom, in OEM and on the Web proceeded well and are very profitable. Only Continental Europe continues to underperform and will therefore be streamlined in response to an unfavorable economic environment, with a reorganization which will be completed before the end of the current fiscal year.

**Return to profitability in the second quarter**

Following losses in the first four months, the second quarter showed a progressive recovery which was confirmed with a very good September (sales of €11 million with profit higher than €1 million), following a slightly positive August (with sales of €9 million).

Sales for the quarter were €28.2 million (23% more than the first quarter), a 0.3% increase (at constant exchange rates) over the same period in the previous year. The improved gross margin (due to the strength of the OEM business) and the cost reductions implemented over the last 18 months made it possible to post a current operating profit of €0.9 million (before stock options) and €0.7 million (after stock options) for the quarter (compared to respectively €0.3 million and €0.1 million for the second quarter of 2007).

**A first transitioning half-year**

For the first 2008/2009 half-year, the Avanquest group recorded revenues of €51.2 million ($ 78.3 million) in line with forecasts and a slightly negative operational earning as a result of to the first 4 months (€-0,4 million before stock-options and €-0,9 million after stock-options).

Revenues show a 3 % decline at constant exchange rate, which is in line with the objectives of the company favoring the return to benefits over sales growth in a very shaded economic context in Continental Europe, by strongly reducing the number of software titles sold to favor the margin.

**Good tenure of all activities except Continental Europe**

The demonstrably strong progress of the OEM division (+60% compared to 2007-08), supported by several major contracts and the excellent dynamics of the U.S. business areas, was maintained the second quarter, while the English subsidiaries (both retail and corporate), bolstered by their leading positions in their respective markets, stood up well despite the unfavorable environment and contributed significantly to the group's earnings. Each of these business areas posted profit margins of more than 10%.

**The group's operating problems and negative earnings occurred only in continental Europe, particularly in France and Germany, where reorganizations are under way to ensure a sustainable profitability on all the activities of the group.**

**Comparative income statement (unaudited figures)**

| In thousands of €uros | 1st quarter 2008/09 | 2nd quarter 2008/09 | **1st half 2008/09** | April – September 2007 | Change: 2008/09 vs. 2007/08 |
|---|---|---|---|---|---|
| Consolidated sales | 22,908 | 28,243 | **51,151** | 56,783 | -9.9% |
| Consolidated sales at constant exchange rates | | | **51,151** | 52,760 | -3.0% |
| Gross margin | 12,835 | 16,918 | **29,753** | 31,388 | -5.21% |
| Percentage (%) of sales | 56.0% | 59.9% | **58.2%** | 55.3% | |
| Current operating income before the cost of stock options | -1,273 | 919 | **-354** | -625 | |
| Current operating income | -1,573 | 697 | **-876** | -1.,156 | |
| Non-recurring items (1) | -125 | -552 | **-677** | -2,170 | |
| Operating income | -1,698 | 144 | **-1,554** | -3,326 | |
| Pre-tax income | -1,906 | -1,059 | **-2,965** | -4,220 | |
| Net income | | | **-3,568** | -3,820 | |

(1) The non-recurring items consist essentially of the costs associated with office closures and staff streamlining.

**Gross margin up**

The streamlining of the product offering including, in particular, discontinuation of the least profitable products and products with low potential, combined with the increase in the OEM business and internally developed products (nearly 40% of sales, compared to 35% in 2007/08), made it possible to achieve a clear increase in the gross margin, which gained nearly 3 points compared to the previous year.

This increase, combined with a significant decrease of the structural costs (a 10% workforce reduction within one year) enabled a return to nearly equilibrium conditions, before stock options, for the half-year. This improved gross margin, along with optimized costs, should allow the group to return to profitability in conjunction with the sales recovery that is expected in the second half of the year.

The low level of the residual restructuring cost made it possible to reduce by half the operating loss for the half-year (€1.6 million vs. €3.3 million). After taking into consideration both financial expenses (–€1.4 million) and taxes of €0.6 million (primarily in the United States and England), the net result was a loss of €3.6 million, which is slightly smaller than the loss for the previous year, which benefited from €0.5 million in tax credit.

**A secured financial situation**

The group's financial condition remains sound with a positive cash (+€3.5 million) despite the fact that the seasonal nature of the retail business is particularly disadvantageous during the period from September through December, which is typically followed by a recovery in the first calendar quarter. Financial debt was €24.9 million (up by €6 million following the last payment for the acquisition of Nova),and shareholder's equity was €92 million.

Avanquest Software was also able to protect itself against the risks associated with the bank-credit restrictions imposed in Europe thanks to the recent signature of a $10 million short-term line of credit and a medium-term $2 million loan both from a U.S-Asian bank.

**Perspectives: A reaffirmed strategy**

The second half of the fiscal year should benefit from more favorable seasonality and major product launches on all activities. However the deterioration of market conditions has lead to caution from the group on stated objectives, and in this context new efforts have been launched to continue to reduce the cost structure.

In addition to implementing these steps, the Group intends to pursue an aggressive strategy that will allow it to open a new chapter in its development:

- **Focusing internal development efforts on narrower software product lines with high potential** in order to expand the portfolio of current best-sellers, while investing in the products, technologies, and new sales models (such as SAS and zero-install) that will enable future growth.

- **A sustainable return to growth and profitability of the OEM businesses,** through the intensification of activities aimed at the worldwide leaders in telecommunications and data processing, and the expansion of the new “Software as a Service” business model, which has already been tested successfully in the United States.

- **The development of corporate sales in Europe** through the deployment of a corporate portal aimed at resellers and partners, modeled on the portal offered by Software Paradise-(the group’s site for sales of licenses or packages to businesses, which is currently enjoying success in the United Kingdom.

- **Retail market-share consolidation by:**
  - Focusing R&D and marketing efforts on flagship products
  - Entering into agreements with e-businesses to offset the decrease in sales at brick-and-mortar outlets
  - Developing direct-to-consumer (DTC) sales.

**Finally, the following new advances will be made regarding our Internet strategy, which henceforth will serve as the core of the group’s business model:**

- Intensification of e-marketing activities through viral marketing and affiliation programs in order to accelerate e-commerce sales.
- The introduction in early 2009 of the “Avanquest Community”, which was initially designed as a locus for online exchanges among users of the group’s software and will be an essential avenue of growth and profitability in the future.

Thus, despite current market conditions, Avanquest is committed to an aggressive strategy that should allow it to successfully embark on a new phase.

**Capital increase**

To accelerate the implementation of this strategy, the group is currently studying the appropriateness of a capital increase, whose details have not yet been determined.

The group’s short-term financing requirements (consisting primarily of working capital needs) are covered by cash on hand and by existing short-term lines of credit.

However, the uncertainty of the economic and financial environment demands prudence on the part of the Avanquest Group, and it seems reasonable to strengthen the company’s equity capital rather than count on potential medium-term bank financing for the unfettered funding of investment projects (including the web platform, the Avanquest Community project, the corporate portal, and R&D…)

From this perspective, the Avanquest group plans to reinforce the equity capital of the company to provide the financial means to implement this strategy, rather than to count on possible medium-term banking financings.

Consequently, a capital increase on the order of € 8 to 10 million, with preferential subscription rights, will be considered over the coming weeks. The implementation details will be disclosed to the market as soon as they have been finalized.

---

***About Avanquest Software***

*Avanquest Software is one of the world’s leading software publishers, marketing its software titles developed in-house or by developer partners via multiple sales channels on three continents – North America, Europe and Asia. Avanquest Software addresses the general public through its Retail, Online and Direct-to-Consumer channels; businesses through the Corporate channel; and key players in mobile telephony and IT through OEM (Original Equipment Manufacturers) licenses. With 600 employees and approximately 200 engineers in Research and Development distributed between France, China and the United States, the company is committed to constant innovation. Avanquest Software is listed on Euronext (ISIN FR0004026714) since December 1996. Additional information is available at http://www.avanquest.com or http://about.avanquest.com.*

**Your contacts**

Thierry Bonnefoi, *Analysts/Investors Relations*
Tel.: +33 (0)1 41 27 19 74 – E-mail: tbonnefoi@avanquest.com

Tûba Kocaefe, *Press Relations*
Tel.: +33 (0)1 41 27 19 96 – E-mail: tkocaefe@avanquest.com

Christine Sauvaget, *Communications & Press Relations*
Tel.: +33 (0)1 41 27 19 82 – E-mail: csauvaget@avanquest.com

AVQ LISTED NYSE EURONEXT

**Ticker : AVQ**
**ISIN : FR0004026714**
**Reuters : AVQ.PA**
**Bloomberg : AVQ:FP**