

# AVANQUEST SOFTWARE

## 2008-09 3rd Quarter Turnover and Earnings: A fairly dynamic year-end

### Return to operational profits over first 9 months

### Confirmation of the capital increase plan between € 8 to 10 million

La Garenne-Colombes, France – February 13, 2009

#### Increased sales and earnings in the 3<sup>rd</sup> quarter: a fairly dynamic year-end

Despite a particularly unfavorable worldwide context, Avanquest Software today reported revenue for the third quarter of FY 2008-09 of €31.1 million (vs. €33.1 million for the same quarter of the previous year), representing an increase of 11% over revenue reported in the second quarter of the current fiscal year.

After mixed results earlier in FY 2008-09, the 3Q results confirm a positive trend with a rather dynamic year end for Avanquest, and especially two consecutive quarters of turnover growth (€22.9 million in the 1<sup>st</sup> quarter and €28.0 million in the second one) and a return to the 2007-08 October-December sales level at constant exchange rate.

During the first 9 months of the fiscal year ending December 31<sup>st</sup>, Avanquest has reported total revenue of €82.1 million, meaning only a 3% decrease at constant parameter and exchange rate.

As with the previous quarters, Avanquest's 3Q revenue figures have been driven by strong performance in sales and operations in the United States and the United Kingdom, as well as a remarkable rise in revenue from OEM division activities, which posted a 67% year-on-year increase, whereas Continental Europe business units reported a decrease in their activities between -12% and -30%. The Web posted a 4% increase for its part.

#### Comparative income statement (unaudited figures)

In thousands of Euros	1st quarter 2008/09	2nd quarter 2008/09	3rd quarter 2008/09	<b>April-December 2008/09</b>	April – December 2007/08	Change 2008/09 vs 2007/08
Consolidated sales	22,908	28,048	31,120	<b>82,076</b>	89,840	-8.6%
Consolidated sales at constant exchange rates				<b>82,076</b>	84,598	-3.0%
Gross margin	12,835	16,723	18,462	<b>48,020</b>	48,899	-1.8%
Percentage (%) of sales	56.0%	59.6%	59.3%	<b>58.5%</b>	54.4%	
Current operating income before the cost of stock options	-1,273	923	1,991	<b>1,641</b>	962	+70.6%
Current operating income	-1,573	701	1,691	<b>819</b>	86	
Non-recurring items (1)	-125	-552	-339	<b>-1,016</b>	-1,648	
Operating income	-1,698	149	1,352	<b>-197</b>	-1,562	
Pre-tax income	-1,906	-1,054	528	<b>-2,432</b>	-3,017	

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

## **Return to profitability over 9 months**

The increase in revenue during the third quarter allowed Avanquest to generate an operating profit (before the cost related to stock options) of €2.0 million, i.e. 6% for the quarter. The quarter was marked by the good tenure of the gross margin, thanks to the good results of OEM and Web activities, both very contributive of margin.

When combined with profits registered during 2Q 2008-09, these earnings allowed the Avanquest Software group to post a return to profitability over 9 months, despite the significant losses registered in France and Germany. The current operating result amounted €1.6 million before stock-options and €0.8 million after stock-options vs. €0.1M€ the previous year.

## **Important restructuring measures being implemented**

These results are very encouraging because they still do not include the full impact of the important restructuring measures being implemented, notably in Continental Europe and mainly affecting the French and German subsidiaries. These measures, the initial results of which already are reflected in the accounts (not recurrent elements of €1 million at the end of December), will have an additional cost estimated between €2.0 and 3.0 million that will be accounted as part of the 2008/09 FY. They are intended to ensure a sustainable return to profitability and will take their full effect over the next financial year starting in April, 2009.

## **No new forecast because of the lack of visibility**

These results nevertheless are not sufficient to maintain the objectives that had been given at the beginning of the fiscal year before the financial crisis arose. Furthermore, the lack of visibility related to the economic crisis makes any projection on consumption in the software, PC and mobile industry quite hazardous. Besides, the seasonality of retail activity, with a January-March quarter for which sufficient and definitive information is not available from large distributors, does not allow the management of Avanquest Software to precisely and thoroughly communicate on new guidelines.

## **A healthy financial situation strengthened by new credit lines**

On December 31st, 2008, the company posted a net debt of €20.6 million for shareholder's equity of €97.1 million. Since the beginning of the fiscal year, the Avanquest Software group has secured several new credit lines allowing it to reinforce its financial situation in spite of the uncertainty in the financial markets and the credit crunch. Its Avanquest North America subsidiary was granted a revolving line of credit of \$10 million intended to finance the working capital needs, as well as a loan of \$5 million (in three installments of \$2 million in October 2008, \$1 million in February 2009 and the balance in April 2009).

The Avanquest Software company also secured in January 2009 short term credit lines (in the form of overdraft and invoice discounting facilities) from several French banks for a total amount €3.1 million.

## **Confirmation of the capital-increase plan**

Avanquest Software also confirmed its plan for a share capital increase of €8 to 10 million aimed at enhancing the Group's investment and innovation capacity. This operation which involves the issuance of a maximum of 4 million shares, with maintenance of a preferential subscription right for the present shareholders, should be announced soon, subject to approval by the Financial Markets Authority of the corresponding prospectus.

### 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, the United States and Canada, the company is committed to consistent 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>.

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