

## First Half of 2011-12 Turnover and Earnings

### Continuation of the growth strategy of online services and applications

#### Acquisition strategy focusing on Online activities

After having acquired Micro Application and PC Helpsoft during the previous fiscal year, Avanquest Software continued its strategy of strengthening its online services offering in the first half of 2011/12 by acquiring Carteland in October 2011 (a French leader in the creation and printing of announcements and greeting cards on the Internet) and taking a 50% interest in the American company Arvix in November 2011, a company specializing in Web site hosting (40,000 subscribers and more than 120,000 sites hosted) with annual sales on the order of \$5M, and in the 209<sup>th</sup> position of the “Inc 500’s fastest growing companies,” which includes the 500 top US companies in terms of business growth.

#### Turnover is up: +10.1 %

Avanquest Software is posting first-half year (July-December 2011) sales of €53.0M, up 10.1% over the same period of the previous year.

Consolidated data in €M*	1Q	2Q	1st Half	6 mths
	2011/12 (Jul- Sep 11)	2011/12 (Oct- Dec 11)	2011/12 (Jul- Dec 11)	2010/11 (Jul- Dec 10)
Turnover	21.3	31.7	53.0	48.1
Gross margin	12.4	18.3	30.7	29.0
% of sales	58.1%	57.7%	57.8%	60.3%
Current operating income	(1.0)	3.5	2.5	3.9
Net income (loss)	(1.2)	2.0	0.8	0.7
Earning per share (in €)	(0.07)	0.11	0.04	0.04

\*1<sup>st</sup> Half 2011/12: unaudited data

The second quarter, which is traditionally the more favourable season, partially incorporates the two acquisitions made at the end of the year. **Sales for the second quarter reached €31.7 million, up 15% over the same period in 2010.**

On a like for like, the first half of 2011-12 is down by 8.4%, with two diametrically opposite trends, depending on the sales channels, which do not entirely cancel each another out.

**Online business** is continuing its very strong growth **(+20.5% to €18.8M)**, only partially offsetting the net decline in Offline sales (-24.8% to €32.5 M) affecting all territories in which the Group operates.

**As part of Online sales, the Web to Print business, an identified growth driver, had an excellent performance with a 162% rise over the same six months of 2010, to €3.2M.**

The total of online sales for the first half of 2011-12 now represents **more than 35% of all sales**, as against 25% last year.

#### Results: return to profitability in Q2

After a first quarter impacted by the traditional weak level of activity for the period, which includes the summer months, the second quarter posted current operating income of €3.5 M, meaning a return to **operating profitability of 11%** (vs. 12.6% for the same period of the previous year).

For the six months, current operating income is €2.5M. The investments made during the period to boost growth in Web-to-Print and online software downloads had a small impact on the gross margin, which was 57.7% of sales, and on marketing expenditures (up by more than 1 percentage point of net sales).

After taking into account the financial result (-0.8M) and income taxes (-0.7M), net income was positive €0.8M, up 8.8% vs last year.

For the six months, Avanquest reaches a **positive cash flow of €4.7M** (vs. €5.8M in the first half of 2010/11) enabling it to finance its R&D investments and its working capital needs.

Acquisitions over the six months (net total of €3.9M) were financed by use of the available cash on hand and limited use of loans.

At the end of December 2011, cash and equivalents on hand amounted to **€7M** (vs. €11.1M at June 30, 2011).

**The Group’s balance sheet remains solid, with shareholders’ equity at €106.6M and net financial debt (debts minus cash and cash equivalents) of €18.7M (vs. €13.7M at June 30, 2011).**

## Increased liquidity on Avanquest stock

Eligible for the SRD long segment since May 2010, Avanquest shares have undergone a spectacular rise in liquidity with average daily volumes traded of more than 200,000 shares in 2011 and 400,000 since the start of 2012 (against 25,000 to 35,000 shares/day in previous years).

For 2011, 56 million shares were traded, i.e., three times the share capital, demonstrating sustained interest in the stock.

## Prospects: continuation of the online strategy and evolution of the economic model

In a context where innovation is no longer just tied to new applications but also to the development of new uses, Avanquest Software is pursuing its strategy of a gradual shift towards more

revenues from Online by targeting in priority two driving markets situated at the heart of convergence:

- **Mobile applications and software suites** on all platforms of Smartphones and tablets (iPhone, iPad, Android and Windows) and for connected television, with a real editorial approach. In this context, in January 2012 Avanquest signed an agreement with Samsung to supply applications dedicated to its connected television platform and high-value-added multimedia content;
- **Web to Print** (remote printing of graphic designs).

The evolution of Avanquest Software's model towards more revenue from Online and associated SaaS-type services, supported by the integration of the latest acquisitions, will contribute to a gradual improvement in profitability.

**Half-Year Results with comments by Bruno Vanryb, CEO of Avanquest Software, will be available on the Group's site <http://group.avanquest.com> as of February 17, and the financial report including the audited six-month statements will be put online in the Regulated Information section as of February 29, 1012**

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