

Third Quarter 2011-12 Turnover and Earnings

Online sales, growth driver for the Group

Nine-month sales figures are up: +12.7 %

Avanquest Software is posting nine-month (July 2011-March 2012) sales of €78.4M, up 12.8% over the same period of the previous year.

This growth is the result of the advance in online activities combined with the external expansion strategy, intended to speed up the shift in the Group's business model.

The online channel, genuine growth driver, accounts today for 38% of total sales against 24% a year earlier, with a 30% organic growth in pro forma data (at constant scope of consolidation and exchange rates). On the other hand, the decrease in retail activities affects all geographic areas where the Group is present resulting in sales down by 28% on a like-on-like basis. In total, the Group's sales decreased 7.6% from the same period of the previous year.

The Group's strategy consists in boosting online sales while stabilizing offline sales in order to generate again profitable growth for the financial years to come.

Current operating income for the 9 months: +€3.1M

The current operating income is €3.1M for the first nine months of the year (-36.8% from the same period of the previous year), which includes €0.6M for Q3.

These figures confirm the return to profitability we saw in the second quarter of the year, even though the significant decrease in offline activities and the investments made in the Web-to-print and download business pull down the gross margin. The latter in fact accounts for 58.4% of sales for the first nine month as against 61.4% for the same period of the previous year.

After taking into account the financial result (-1.5M) and taxes (-0.9M), net earnings were €0.6M, stable compared to the previous year.

For the nine months, Avanquest shows a **positive self-financing capacity of €6.4M** (vs. €7.3M for the same period of the previous year), enabling it to continue to finance its R&D investments and its need for working capital.

At March 31, 2012, Avanquest has €7.6M in cash and equivalents (vs. €11.1M at June 30, 2011) after financing the latest acquisitions for €3.9M.

The Group's balance sheet remains solid, with shareholders' equity at €104.7M and net financial debt (debts minus cash and cash equivalents) of €20.4M (vs. €13.7M at June 30, 2011).

Prospects: promising success of the online strategy targeting multiplatform mobile applications and SaaS-type software suites

Avanquest Software is committed to pursuing its expansion into all Online and Cloud domains by designing content- and services-rich applications that can be used on all fixed or mobile platforms.

Several recent developments and agreements illustrate the Group's build-up in the mobile-applications and SaaS-type software suites market, implementing a genuine publishing approach:

- For **Microsoft**, Avanquest Software has developed a "Code de la Route" (driving code) application that is part of some one hundred applications selected worldwide for the

Consolidated data in €M	1st Half 2011/12 (Jul-Dec 11)	3Q 2011/12 (Jan-Mar 12)	9 months 2011/12 (Jul-Mar 12)	9 months 2010/11 (Jul-Mar 11)
Turnover	53.0	25.4	78.4	69.6
Gross margin	30.7	15.1	45.8	42.7
% of sales	57.8%	59.5%	58.4%	61.4%
Current operating income	2.5	0.6	3.1	5.0
Net earnings	0.8	(0.1)	0.6	0.6

*unaudited data

As part of online sales, the Web to print business, one of the main identified growth drivers, had an excellent performance with a 70% rise in the third quarter and especially 169% over the nine months to €4.6M.

The acquisition of Carteland (a French leader in the design and printing of greeting cards and photo albums on the Web) and a 50% interest in the American company Arvix (specializing in Web site hosting), both concluded at the end of 2011, contributed substantially to the 3Q turnover, which reached €25.4M. On a like for like, 3Q activity is down by 4.2%.

opening of The Windows Store as part of the pre-launch of Windows 8.

- For **Sony**, Avanquest Software has designed an enhanced version of its leading children's application ("Noddy"), available on Sony's SelectApp with new multimedia content and video episodes from the famous series.
- In the **Apple** store, the Berlitz applications developed by Avanquest Software perform in the Top 3 of sales on iPhone and iPad, in France and Spain.
- Finally, after the successful launch of My PhotoCards, Avanquest Software has announced a mobile application dedicated to printing **Instagram** photos and sending them as postcards. In just two clicks, 30 million Instagram users

will be able to turn purely digital content into hardcopy with an associated service and value creation for both consumers and the Group.

These advances are in addition to the agreement signed with **Samsung** in January 2012 for the development of applications dedicated to its connected television platform, and to the agreements signed with **ProtectCell** and **Earthlink** in the previous quarter to supply *myMobile Companion* and *Fix-It Essentials*.

With its capital of proprietary technologies, Avanquest Software is developing innovative software that creates added value for its clients. By doing so, it is pursuing the evolution of its economic model towards more Online revenues and SaaS-type associated services.

Upcoming financial announcements:

2011-12 Annual Turnover → July 26, 2012 (after market close)

2011-12 Annual Earnings → September 27, 2012 (before market close)

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