

Avanquest Software is posting a positive operating income of €0.7M for the 1st half of 2012-2013

- The software publisher secures long-term financing to pursue its transformation
- A plan is currently being implemented to save €5M over a full year
- Net income includes goodwill depreciation of €60M reflecting Avanquest's new business model

Avanquest Software is expediting the shift of its business towards online revenue sources. The three growth divisions – Softcity for software eCommerce and mobile applications, PlanetArt for Web-to-Print services and VCOM for Web hosting services – represented 45% of global sales for the first half of 2012-2013, as compared with 33% a year ago. **The three divisions had total semi-annual sales of €23.9M, up 37% over the 1st half of the previous year (17% at constant scope and exchange rate).**

To support this growth, the Group is announcing that it has signed, on March 26, an agreement with its bank pool and certain shareholders, carrying its financing to medium term. The agreement, that is effective immediately, calls for an extension of the maturity dates of the parent company's current lines of credit and loans (€18M) to June 2018 and keeping the shareholder accounts established in 2012 (€2.5M) in place until October 2018 with the possibility of converting the latter into capital before the end of 2014 (subject to approval by a shareholders meeting). This is a sign of renewed confidence among its banking partners in Avanquest's strategy, giving Avanquest the means to conscientiously continue the implementation of its growth plan.

The agreement will allow the Group to focus on deploying its three online divisions while pursuing its plan to resize its offline activities to better adapt to changes in its targeted markets. **The savings from this plan are expected to reach more than €5M over a full year and allow a reallocation of resources to the company's fastest-growing markets.** "After identification of our priority growth markets and our internal reorganization, ensuring the permanence of our financing was a major component of our business shift," noted Bruno Vanryb, CEO. "With this agreement, we are going to be able to devote ourselves completely to making our strategy a success."

2012-2013 Semi-annual results

For the first half of Fiscal 2012-2013 (July-December 2012), Avanquest Software is posting an operating income of €680K. For the record, sales in the first half of 2012-2013 were €52.8M, stable in relation to the first half of 2011-2012.

Simplified Income statement

In €M	S1 2012-2013	S1 2011-2012
Sales	52.80	53.02
Gross margin	30.56	30.67
% of Sales	57.9%	57.8%
Current operating income	0.68	2.04
% of Sales	1.3%	4.8%
Non-recurring items	-0.87	-0.16
Depreciation of goodwill	-60.00	0.00
Operating income	-60.19	1.88
Financial result	-0.79	-0.35
Net earnings (Group share)	-60.92	0.75

The half-year financial statements were approved at the board meeting on March 27 and have been the subject of a limited review by the company's auditors.

Breakdown of turnover and operating income by type of activity for 2012-2013 1st semester

In M€	CA	ROC
Online	23,90	
Offline	21,40	
B to C	45,30	0,80
B to B	7,50	0,90
Unallocated costs	-	-1,00
Total	52,80	0,70

- Six-month sales, almost stable in relation to last year, reflect the strong advance in Avanquest Software's Internet activities, which are at the core of the company's new strategy: they now account for 45% of total sales, compared with 33% in the first half of 2011-2012, enhanced by a staggering 37% growth rate (17% at constant scope and exchange rate). Sales in the company's traditional (offline) channels are down by an anticipated 27% compared with the same period of the previous year. In pro-forma data, this decrease is 30%. Market trends are similar on the initial months of 2013.
- The gross margin is also stable at 57.9%, compared with 57.8% in the previous first half.
- Operating expenses remain under control, with personnel expenses dropping to € 13.1M (or 24.8% of sales, compared to 25.8% in the first half of the previous year), whereas advertising and marketing expenses are up by 17.4% to €6.5M, reflecting the investments made in the company's growth divisions.
- Current operating income totaled €0.7M, thanks to strong online sales in November and December 2012, leading to a positive EBIT of € 2.2 M in Q2 (7.1 % of Q2 sales).

The result for the period includes two significant non-recurring components:

- Net non-recurring expenses for €0.9M, associated with implementation of the plan to resize the company's offline activities.
- Goodwill depreciation for a total of €60M. In application of IAS 36, **an in-depth review of the business plan, reflecting the change in the markets in which the Group operates, shows a €60M impairment on goodwill**, deriving mostly from acquisitions made between 2002 and 2007 in the area of BtoC software sold in traditional channels. This depreciation did not lead to any cash outflow and has no impact on the Group's solvency.

After incorporating this depreciation, the Group is posting a negative operating income of -60.19M Euros, while the net income (group share) after financial expenses and taxes amounts to -60.92M Euros.

If the impact of the non-recurring components and goodwill impairment were excluded, the Group's net result would be in equilibrium. Self-financing capacity remains positive at +1.2M Euros.

The Group's financial situation has been strengthened by the agreement on medium- and long-term financing, with owners' equity of €42.6M, a gross financial debt of €28.9 and net financial debt (debts - cash on hand) of €22.5M (compared with €21.3M at 06/30/2012).

At the end of December 2012, cash and equivalents on hand amounted to €6.93M compared with €5.65M at the opening of the financial year on July 1, 2012.

In summary, Avanquest Software is completing its transformation.

1. The stability of semi-annual sales confirms that the decline of traditional activities is now being completely compensated by online sales growth. The plan to shift towards online revenue sources is continuing at the pace—and, in some cases, in excess of the pace—desired by Management, with growth activities now contributing 45% of total sales, contributing positively to the Group's operational profitability.
2. The resizing of offline activities involves a plan for savings and readjustment of resources, the first effects of which will be seen starting in the second half of the year.
3. The company's financial situation is secure, imbued with the confidence of its financial partners.

Now that these three important steps have been completed, the Group can conscientiously pursue continued progress on its path to sustainable growth and performance.

The financial report including the audited annual financial statements will be available on the Group's site, <http://groupe.avanquest.com>, as of March 28.

Upcoming financial announcement: May 15, 2013 -> Third Quarter 2012-2013 Turnover

About Avanquest Software: Avanquest Software is a world leader in the development and publication of software applications on a wide variety of devices, as well as a growing player in several key online service industries. The passion that drives our teams, the high-technology added value of our software and the Group's solid presence in North America, Europe and Asia make Avanquest Software one of the top 10 consumer software publishers in the world. Avanquest Software has been listed on the NYSE since 1996.

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