

**Avanquest 2007/2008 Annual Results:
12-month turnover at €116.4M (+57%)**

**EBIT positive, exceeding estimates: €344K
(before stock-options costs and non-recurring items*)**

**Significant non-recurring restructuring costs (€5.3M)
for a more effective and profitable company.**

**“Avanquest 3.0”, a new strategy to generate growth and profit
in all channels, leveraging on product and information
distribution methods offered by the Internet.**

La Garenne-Colombes, France – June 25, 2008

Financial year 2007-2008 (lasting an exceptional 15 months, from January 2007 to March 2008) is to be considered a year of integration, after two major acquisitions completed in 2007, that of Nova Development in the United States and of the Emme Group in Europe, which changed the size of the **Avanquest Software** Group and put it **in the Top 10 of the world's consumer software publishers**.

Unfolding in a difficult economic context, this year was devoted in large part to merging the various organizations and teams in each of the countries, and to developing synergies.

2007-2008: a year of integration impacted by an unfavorable economic environment

Turnover for the year hit €140.4M. For the last twelve months, the figure was €116.4M, matching the estimate we gave on 14 May 2008.

Business for this period was marked by a decline in the dollar and the pound, the invoicing currencies for 3/4 of the group's turnover, a European retail market down sharply, especially in France and Germany, and a strong reduction in the activity of the leading OEM client.

In contrast, business was especially dynamic and profitable in the United States and the United Kingdom, which account for 72% of turnover, and double-digit growth was posted by the Corporate (+14%) and Web (+20%) divisions.

Operating income (before stock-option and non-recurring costs*) for the year was finally positive **with a profit of €0.3M** and posted a loss of €0.6M after assumption of the stock-option costs and therefore above the estimate of €-1.2M given a month ago.

The deviation from the group's initial ambitions and the performances of the previous year derives from the impact of the drop in OEM figures (€-5M for the main client) and the decline in Retail activity in France and Germany which the other divisions (all in line with or above their budgets) and the reduction in structural costs were unable to compensate for during the year.

The group's profit was impacted by the costs of the structure optimization and product line rationalization, more extensive than originally planned, so as to ensure profitable growth for the years to come. These factors translated into an exceptional-item expense of €5.3M.

Finally, as part of a cautious approach and in order to take into account the real value of the European assets integrated following the acquisition of Emme, there was a €5M depreciation of goodwill.

Profit and Loss Statement Summary

In thousands of Euros	April 2007 – March 2008 (12 months)	2006 Fin. Year (Jan.-Dec.) (1)	2007/08 Fin. Year (15 months)
Consolidated turnover	116 402	74,335	140 375
Gross margin	63 356	48.531	77 078
% of turnover	54.4%	65.3%	54.9%
EBIT before stock options and non-recurring items	344	5.646	-121
% of turnover	0.3%	7.6%	-0.1%
Stock-option costs	-919	-395	-1 132
Non-recurring items (2)	-5 321	-1.332	-5 599
Depreciation of goodwill	-5 000	-	-5 000
EBIT	-10 896	3.919	-11 852
Net income (group share)	-12 911	2 764	-13 954

(1) Data not directly comparable because of the change in scope

(*) **Non-recurring items consist basically of costs associated with site closings and personnel reductions.**

The Group's financial situation remains very healthy, with available cash amounting to €11M at the closing of the year, with financial indebtedness of €18M and shareholders' equity of €94M.

“Avanquest 3.0”: reinventing ourselves to quickly recreate a profitable growth dynamic by taking advantage of new Internet trends

The Internet, as an engine for profitable growth and synergy among all the Group's businesses, is at the heart of this new Strategy. Based on innovation and the new ways of distributing products and information offered by the Internet today, the new strategy illustrates the evolution of the current business model to benefit from the new media of the Web 3.0.

This focus is based on two essential facts:

- The Internet is revolutionizing technology, habits and behaviors; today it is the main engine driving growth in software publishing, in terms of both product design and market access through new distribution modes;
- Avanquest Software was able to appreciate the full potential of this channel because of its successful positioning in e-Commerce for the last four years in terms of organic growth (from €3M to €15M in turnover).

R&D, sales, marketing: in each segment of the value chain, the Internet has a place in the Group's new dynamics.

In this perspective, the following strategic directions, announced in the 14 May press release, are outlined below:

- **Focusing internal developments on narrow, high-potential lines** in order to expand the portfolio of existing bestsellers while investing in new products that will lead future growth: software combining on- and off-line, convergence of Internet-mobility-multimedia applications, development of new generations of technologies. This more selective approach will be associated with a rigorous plan to shorten development times and lower costs;

- **Speeding up OEM growth** by launching new software solutions (Digital Frame Manager, Fix-It, System Suite Essentials...), new applications with operators and Internet access providers, and the expansion of a new “Software as a Service” business model based on the model already tested successfully in the United States;
- **Developing Corporate sales internationally** by setting up an international catalog for direct sales to companies based on our Software Paradise platform, and by deploying, as a complement, a corporate portal specifically for resellers to support indirect sales locally;
- **Consolidating our market shares and going from Retail to e-Retail**
 - 1) By implementing a selective strategy (strategy based on the Avanquest North America model) to promote a line focusing on potential bestsellers;
 - 2) By developing both agreements with e-resellers and on-demand software portals;
 - 3) By deploying a “casual games” and edutainment software strategy in Europe on growing platforms (PC and Nintendo DS consoles).
- **Speeding up e-Commerce sales in synergy with the other distribution channels.** To support this takeoff in sales, investments will be made in three key directions that will make it possible to develop a true next-generation e-marketing strategy: cyber-marketing (development and expansion of the customer base), viral marketing (forming dedicated teams, trial versions...), development business (design of specific products, development of affiliation programmes, implementation of specialized portals...);
- **Creating a true community** that will reinforce Avanquest Software’s spread all around the world. This community will be conceived as an “Avanquest Software Café,” a place for exchanges to strengthen Avanquest’s relationship with its customers. When it is launched, it will rely on the Group’s user base (more than 11 million registered users) and will be a growth engine, with loyal, participating users.

Three-year objectives: priority for organic growth and increased profits

The Avanquest Group has experienced 21 years of profitable growth out of a total of 24 years. Its fundamentals are solid, and the management team is confident about the future. **After two years of investments that have enabled Avanquest Software to join the ranks of the top consumer software publishers in the world, the company will concentrate on organic growth and profitability.**

For 2008-2009, Avanquest Software has set itself a total sales objective of €115M-€120M and an operating margin of 4% to 6%. These figures include a negative impact from the evolution of the dollar and the pound, which accounts for about €9M out of this sales target (the average rate budgeted for the dollar is €1 = \$1.60). At a constant exchange rate, organic growth will be between 7% and 12%.

Operating income, once again positive, will reflect the reduction in costs (including workforce reduced by 10%) and the business model’s evolution towards a strategy that takes into account all the new Internet trends, from the creation of software to the new means of distributing products.

The improvement in margins should continue into the following years. The Group is confident of its ability to generate growth and an additional two points of operating margin each year, with sales objectives ranging from €125M to €135M for an operating margin of 6 to 8% in 2009/10, and sales of between €135M and €150M for an operating margin of 8 to 10% in 2010/11.

Organic growth is Avanquest Software’s priority for the years to come, with the objective of reaching a new level in growth and profitability by implementing its new strategy.

About Avanquest Software

Avanquest Software is one of the world's leading software publishers, marketing up to 1,500 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 650 employees and approximately 200 engineers in Research and Development distributed between France, China and the United States, the company is committed to constant innovation. Listed on Euronext (ISIN FR0004026714) since December 1996, Avanquest Software is part of Eurolist, SBF index 250. 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

Tuba 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



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