

ANNUAL REPORT 2006



Avanquest® *software*

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Avanquest® *software*

# AVANQUEST SOFTWARE, A WORLD LEADER

KEY DATES IN AN UNCOMPROMISING WINNING STRATEGY

A STRATEGIC VISION COMBINED WITH A STRONG ENTREPRENEURIAL SPIRIT ...

**1984**

BVRP Software is founded  
by Bruno Vanryb and Roger Politis

**1995**

Launch of PhoneTools, one of  
the first PC fax software programs  
and a worldwide bestseller.

**1996**

BVRP gets listed on  
the Stock Market

**2002**

Launch of Mobile PhoneTools, the  
convergence of mobile technologies  
and also a worldwide bestseller.

**2005**

BVRP changes names and  
becomes Avanquest Software

## ... A STORY BEING WRITTEN IN THE FUTURE TENSE!

Through the takeover of Nova Development  
and Emme at the beginning of 2007,  
Avanquest Software has entered a new dimension  
with consolidated positions on both sides of the Atlantic.

Avanquest Software in the USA  
1996 – BVRP USA is founded  
2002 – Acquisition of Elibrium - MySoftware  
2005 – Acquisition of VCom  
2007 – Acquisition of Nova Development

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Avanquest Software in Europe  
1998 – Avanquest UK is founded through  
    the acquisition of Kommunicate  
2001 – Takeover of ABsoft to back the  
    creation of Avanquest France  
2003 – Launch of Avanquest Deutschland through  
    the acquisition of MediaGold  
2004 – Launch of Avanquest Iberica through  
    the acquisition of Outsource  
2005 – Avanquest Italia is founded  
2007 – Friendly takeover of Emme to consolidate  
    company position in Europe



# “THE UNIQUE GLOBAL PUBLISHER”

THE ONLY SOFTWARE PUBLISHER PRESENT ON THREE CONTINENTS AND IN ALL SALES CHANNELS

## Company Profile

Avanquest Software is unique among software publishers in being able to market such a wide range of best-selling programs developed both in-house and by development partners throughout all territories and sales channels. With more than 1,500 software titles, the Group now possesses one of the most extensive catalogs in the world and boasts unparalleled marketing power. With a strong presence in North America, Europe, and Asia, Avanquest Software markets its products to three distinct customer segments:

1) **individuals and small businesses** via the *retail*, *online* and *direct-to-consumer* channels; 2) **large enterprises** via the *corporate* channel; and 3) **major players in the mobile telephone and computer industry** through licensing partnerships with *Original Equipment Manufacturers (OEMs)*. Built on a foundation of dynamic innovation, Avanquest Software has over 650 employees and relies on a talented staff of nearly 200 Research and Development engineers based in France, China and the United States

## Changing dimension in 2007

The acquisition of Nova Development and Emme at the beginning of 2007 marked a new step forward and a new era in the strategic growth of Avanquest Software.

Both these investments have catapulted Avanquest Software to a new level of success:

### Avanquest Ranks N° 5

in the **retail consumer software market in the USA** (apart from Microsoft)

### Avanquest Ranks N° 3

in **Europe** (apart from Microsoft)

### Our Goal: to be a global publisher while staying close to our clients locally

With a Global Publishing strategy, Avanquest Software aims to leverage its innovation and global network to benefit the greatest number of clients in all territories. To strengthen its leadership position, the Group has structured its activities around two divisions:

- **Avanquest Software Technology** develops leading-edge software programs that make up the intellectual property of the Group.
- **Avanquest Software Publishing** is uniquely positioned as the one and only global publisher for developers around the world seeking an experienced partner to market their software programs in all sales channels and territories.

### Our Expertise: the combined know-how of a software developer and publisher

Benefiting from over 20 years experience, Avanquest Software has mobilized efforts around research for software solutions that are adapted to future technologies and the specific requirements of each country. The publishing activities of the Group and the R&D department are focused around 5 lines of software:

- The *Mobility and Communications* line, enabling mobile professionals to benefit from the convergence of new technologies (*Mobile PhoneTools*; *Connection Manager*, etc.)
- The *Productivity* line for small businesses (*Business Plan Writer*; *My Invoices & Estimates*, etc.)
- The *Utilities* line, offering solutions for system security, PC diagnostics, file management, and website development (*Fix-It Utilities*, *Partition Commander*, *Web Easy Professional*, etc.)
- The *Digital Media* line, for photo software (*Photo Explosion*, *SendPhotos*), and interactive content (*Encyclopaedia Britannica*, virtual museum tours, etc.)
- The *Lifestyle and Educational Games* software line (*Scrapbook Factory*, *Hallmark Card Studio*, *Berlitz language learning*, *educational games for children*, etc.)



Avanquest Software in Asia  
2002/2003 – R&D Center in Shanghai, China and Avanquest China as a sales office are founded  
2005 – Avanquest BB is founded, a joint venture with Softbank BB in Tokyo, Japan



# FOUNDERS' STATEMENT

AVANQUEST SOFTWARE IN A FEW FIGURES

**€200 Million**

Three-year objective!  
An objective made possible by the arrival of Nova and Emme, which joined the Group at the start of 2007, and the introduction of a development plan to reach these new heights

**€74.3 Million**

2006 Annual Sales  
87% of which are outside the domestic (French) market

**CLOSE TO 50%**

Portion of software sales based on proprietary intellectual property

**47%**

Portion of Annual Sales generated in the US, the world's Number 1 market

**Presence on 3 continents:  
America, Europe and Asia**

**A portfolio of over  
1,500 software programs**

**670 Employees**

**22%**

Portion of Annual Sales generated in the UK, Europe's Number 1 market

**13%**

Portion of online software sales  
Growth of 35% in e-commerce activities



## New Horizons to Launch New Ambitions

In the six years since 2001, Avanquest Software has completely transformed itself into a global technology and publishing powerhouse. With a strong presence in the United-States, Europe and Asia, coupled with explosive growth in Internet commerce, our corporation has emerged as one of the world's most diversified software publishers with more than 300 active products available up to 27 languages.

Strengthened by the success of these ambitious projects and keenly aware that there can be no growth in the technology field, and specifically in the software industry without innovation and risk-taking, it was clear that the time had come for a Group who had already proven the solidity of its profitable growth model to break through into a new dimension.

With regards to technology, the arrival of Vista in 2007, the new version of Microsoft Windows, along with the profusion of new software opportunities in digital photography and multimedia has created the perfect environment for us to develop pioneering new software projects destined to become tomorrow's standards.

As regards the markets, thanks to our solid position as a contender over most of the territories where we are present, for the first time in our history we had the opportunity of ranking among the top 5 software publisher in the world.

This is the reason we devoted a great deal of our energy in the past year to the implementation of a new strategy, intended to promote Avanquest to the position of world leader in software publishing:

- With two major acquisitions concluded at the beginning of 2007: Nova Development in the United States and EMME in Europe, thereby enabling our company to double in size. As a result, we now rank No. 5 in retail sales revenue in the USA and No. 3 in retail sales in Europe (excluding Microsoft);
- By investing massively in the development of new innovative applications for Windows Vista, such as SendPhotos software, which enables users to manage and share photos over the Internet.

For the 2007 financial year, our initial forecast of a €100 million turnover will be largely surpassed since we now foresee exceeding €130 million, representing at least a 75% growth. The Group's renewed ambition, supported by our new development strategy, leads us to now aim for the €200 million threshold in the next 3 years.

This is the best way for us to translate the values we wanted to way in adopting the Avanquest brand, knowing a continued emphasis on innovation, product excellence, and proximity to our customers. We promise to maintain our focus on these core values and make our corporation a world leader.

We thank you for your confidence.

**Bruno VANRYB**  
President & CEO,  
Avanquest Software

**Roger POLITIS**  
Chief Technical Officer,  
Avanquest Software



# YEAR 2006 HIGHLIGHTS

**A STRONGER MARKET POSITION ON ALL CONTINENTS  
NUMEROUS BUSINESS AND TECHNOLOGICAL SUCCESSES**

## 1st Half-year

### JANUARY

#### Partnership Expands in Europe with HP

HP chooses *FaxTools* and *Classic PhoneTools* software to enhance their new multifunction printers for main European markets.

### MARCH

#### Worldwide Agreement Signed with Intel

Avanquest Software launches *Mobile Phone Suite*, mobility software designed in close collaboration with Intel Corporation for laptop computer users equipped with Centrino Duo technology.

#### First Publishing Agreement in Japan for Avanquest BB

Avanquest BB, a subsidiary of Avanquest Software and SoftBank BB, Japan's leading IT distributor and provider of broadband infrastructure, signs an agreement to publish hard drive defragmentation software developed by the German company, Ashampoo, and marketed in partnership with the powerful Japanese distributor, SourceNext.

### MAY

#### Acquisition of IMR and FastTrak Ltd. in the UK

A force in the UK retail market, FastTrak publishes a catalogue of innovative software, including titles from publishers such as Punch, Data Becker and Auran (home architecture software). As for IMR, they market a line of electronic document management software for businesses.

**With these acquisitions, Avanquest UK strengthens their position in the UK, Europe's largest software market, where the Group has already achieved 20% of their annual sales.**

#### A Licensing Contract is Signed with GSPDA

This contract involves the supply of Mobile Phone Tools to equip the SmartPhone line of GSPDA, a major Asian mobile telephone manufacturer based in Hong Kong. **After opening a branch dedicated to OEM sales in 2005, Avanquest China in Shanghai, the Company pursues its expansion strategy in Asia.**

## 2nd Half-year

### JULY

#### Collaboration Extended with Optimus

This partnership formalizes the development of a universal connection tool, *Cellular Connection Manager*, by Avanquest Software, designed to enable roaming users in Portugal who subscribe to Optimus (a member of Orange network) to access high speed Internet from their mobile phones.

### SEPTEMBER

#### Agreement Signed with T&A Mobile Phones

T&A Mobile Phones, one of the leading Chinese telephone manufacturers, equips their latest generation cellular phones for China, East-Asia, Europe and the American continent, with Avanquest Software's Mobile Phone Tools. **Benefiting from an R&D center in China, Avanquest Software engineers demonstrate their ability to successfully adapt their software to the expectations of the main OEM suppliers in the Far East.**

### OCTOBER

#### Signature of a Global Major OEM Partnership Agreement

Avanquest announces the signing of a major contract with one of the leading players in the world mobile telephone industry; the partner's name was not disclosed, however, because of a confidentiality clause binding the two groups. This key agreement goes into effect in 2007.

### NOVEMBER

#### Partnership with Rogers Communications in Canada

Avanquest Software developed a customized version of its Connection Manager software for Canada's leading wireless and cable communications provider. It will eliminate various Internet connection problems encountered by business professionals while on the road.

#### Licensing Deal with Datang Mobile

Signing this agreement with Datang Mobile, one of the wireless technology leaders in China, is a good example of how Avanquest Software has been successful in the world's fastest growing industrial market. Datang Mobile will integrate the adapted version of the Avanquest Mobile PhoneTools software into their own PC card model for subscribers of the 3G telephony network.

### DECEMBER

#### Avanquest made its debut on the Paris Stock Exchange on December 5, 1996.

In the 10 years since, the small French business that originally employed a staff of 30 with 4 million euros in annual sales has emerged as a global force of more than 600 employees—well on its way to achieving its ambition to be one of the world leaders in software publishing.

# 2007 CHANGE OF DIMENSION

**TWO MAJOR VALUE-ENHANCING ACQUISITIONS  
AN INDUSTRIAL GROWTH PROJECT ON ALL CONTINENTS  
EXPLOITING THE STRENGTHS OF SYNERGY TO ACHIEVE SHARED AMBITIONS**

## 1st Half-year

### JANUARY

#### Acquisition of Nova Development

Nova Development develops and publishes productivity and digital media software designed primarily for the consumer and small business markets. With annual sales higher than \$25 million, Nova Development is one of the leading US software companies in the world's leading software market. This strategic acquisition, both because of the scope of the company as well as the domestic market it serves, enables Avanquest Software to double its size overseas and rank in the **Top 5 retail software publishers in the US (other than Microsoft).**

### JANUARY

#### Launch of Windows Vista, the new Microsoft Operating System

Launched by Microsoft on January 30, Windows Vista exceeded market expectations, selling more than 20 million licenses within the first month. This was double the number of units that Microsoft sold of Windows XP in the month after its launch. The large number of users expected to upgrade or replace their computers in order to take advantage of Windows Vista should create substantial growth opportunities for Avanquest Software during the second half of 2007.

### FEBRUARY

#### Friendly Take-over Bid on Emme on February 23

Emme, a leading player in the interactive multimedia software market in Europe, achieved 36 million in annual sales in 2006. Listed on Euronext Paris since 2000, Emme has acquired a solid position in the retail market: As number 1 in the UK overall, Emme also ranks number 2 in multimedia software for the general public (apart from video games), and Number 3 in the retail segment of the French market. This acquisition is strongly complementary to the Nova Development acquisition, not only in terms of territorial presence, catalog products and management teams but also in terms of distribution networks. As a result of this acquisition, Avanquest Software has been able to nearly double in size and place among the **Top 3 software publishers in Europe (excluding Microsoft).**

### APRIL

#### Overwhelming Success of the Takeover Bid of Emme

With more than 95% of shares tendered, the takeover of Emme can be considered an undisputed success. By tendering their shares in such great numbers, Emme's shareholders indicated their overwhelming support for the terms of the acquisition as set forth by Avanquest Software in collaboration with Emme's management team. The leaders from both groups are proud to have successfully concluded this effort and thank their shareholders.

# RESULTS AND PERSPECTIVES



## 2006

Clear rebound of activity after a retail market slowdown in 2006

## 2007

Two strategic investments for a change in company dimension



“Despite a slump in the retail market in the 2<sup>nd</sup> quarter and Microsoft postponing the launch of Vista, in 2006 we pursued our growth and investment strategy. Strengthening our structure dedicated to e-Commerce, acquiring IMR and FastTrak in the UK, as well as signing a number of contracts on three continents effectively demonstrate our loyalty to the industrial project we set for ourselves since the creation of the Group: to build a world leader. From this point of view, acquiring Nova Development and Emme represent real growth accelerators for Avanquest Software. The similarities in economic models and the extent to which the two catalogues complete each other will enable us to fully exploit our synergy.”

Thierry Bonnefoi, Chief Financial Officer, Avanquest Software.

### A Financial Year Marked by a Slowdown of the Global Retail Market

The year 2006 began with an excellent first quarter (growth of 20% and operating income over 11%) followed by a slowdown in retail activities that impacted the second and third quarters. It was in September that sales activity picked up again, thus enabling Avanquest Software to achieve the best quarter in history in terms of annual sales, with a profit margin of over 13%, despite the deterioration of the exchange rate. Although results had been impacted, the retail slump did not influence the ability of the Group to generate durable and profitable growth for the future. For the entire financial year, the Group recorded annual sales of 74.3 million, a growth rate of 5.3% (on a like-for-like basis and consistent exchange rate). The operating income, other than non-recurring elements, reached 5.3 million (7.1%), which is 3.9 million after taking into account the non-recurring elements (5.3%). Despite the slowdown in growth, the Group's management team decided to maintain the investments required for future growth, i.e. pursuing R&D investments (+11%) and developing business

networks, namely electronic commerce (+28%). The net income remained largely positive, at 2.8 million, which is 4% of annual sales.

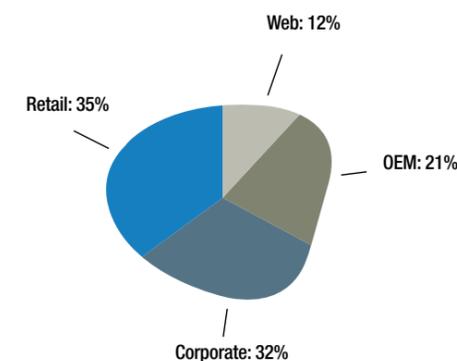
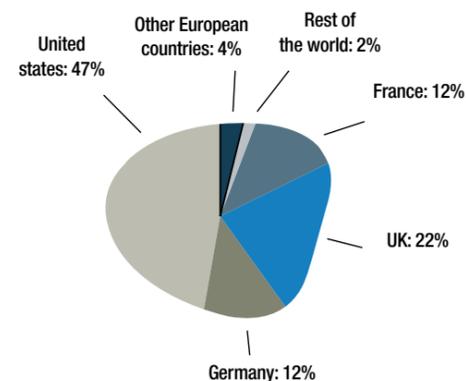
### E-Commerce: a Springboard for Growth that has Delivered on its Promises

As a development strategy, and thus a priority in terms of investments, e-commerce activities satisfied expectations, generating growth of over 35% during the financial year. Sales on the Internet represented 13% of total software sales in 2006, up from 10% in 2005.

### Strengthened Financial Structure

At the end of the 2006 financial year, the Group had cash reserves net of financial debts of 10.5 million and owner's equity of 61.3 million, an increase of 12%. This excellent financial structure, which was further strengthened by implementing confirmed 7-year credit lines, enabled the firm to finance the acquisitions of Nova and Emme during the first half-year of 2007 without resorting to the market.

### Breakdown of 2006 sales



### Two Strategic Investments

The acquisition of Emme—whose strengths are complementary to those of Nova Development in terms of catalogue products, management teams and distribution networks—meant nearly doubling the Avanquest Group's revenue base.

These two investments have enabled Avanquest to reach a major milestone in its growth strategy aimed at creating a world software publishing leader, not only in terms of software portfolios but also in market power and territorial coverage. Thanks to its acquisition of Nova, the Avanquest Software Group is already positioned among the top 5 publishers of software for the general public in the United States (other than Microsoft). The combination of Avanquest and Emme will immediately catapult the Group to a ranking among the top 3 software publishers in Europe (other than Microsoft) - Source NPD, GFK, Chartrack.

### Harmonization of financial years' closing dates

Avanquest Software shareholder's meeting held on May 30, 2007 approved the change of the group's financial year end date to match it with that of Emme which is set at March 31. This date better corresponds to the retail activity which, once integrated, will represent over 50% of the group's annual sales.

### Objectives for 2007: Integrate Emme and Nova and Exploit the Synergy

Integrating Nova and Emme provides Avanquest Software with the means to achieve strong growth over the next 3 years, with an objective to exceed, as soon as possible, 200 million in annual sales and an average profit margin over 10%

Developing all areas of possible synergy is the Group's priority in 2007:

- Exploit the synergy between R&D teams
- Open up Avanquest's American marketing network with Emme products
- Open up the General Public network and Emme's European Education network to Avanquest and Nova products
- Combine all the Group's software catalogues to develop software distribution via the Internet, on a common downloading platform
- Develop an expanded "Direct to Consumer" sales channel.

For the 12-month period from April 1<sup>st</sup>, 2007 to March 31<sup>st</sup>, 2008, integrating both Emme and Nova, the group management team expects annual sales between €130 and 135 million (compared to €74.3 million in 2006), and operating profitability between 8 and 10%, before taking into account the non-recurring items resulting from setting up a new organization.

More than ever, Avanquest Software is asserting its ambition to be one of the world's leading software publishers.

2002 2003 2004 2005 2006  
16.2 24.4 38.4 54.6 58.0

Stockholder's equity in M€

2002 2003 2004 2005 2006  
-3.1 +6.4 +12.3 +13.7 +10.5

Cash net of financial debts in M€

2002 2003 2004 2005 2006  
37.6 48.6 57.0 70.6 74.3

Turnover in M€

2002 2003 2004 2005 2006  
1.6 3.8 6.7 9.0 5.2

Operating profit in M€

2002 2003 2004 2005 2006  
5.4 1.7 5.3 6.9 2.8

Net income in M€

2002 2003 2004 2005 2006  
1.48 0.41 1.01 1.11 0.40

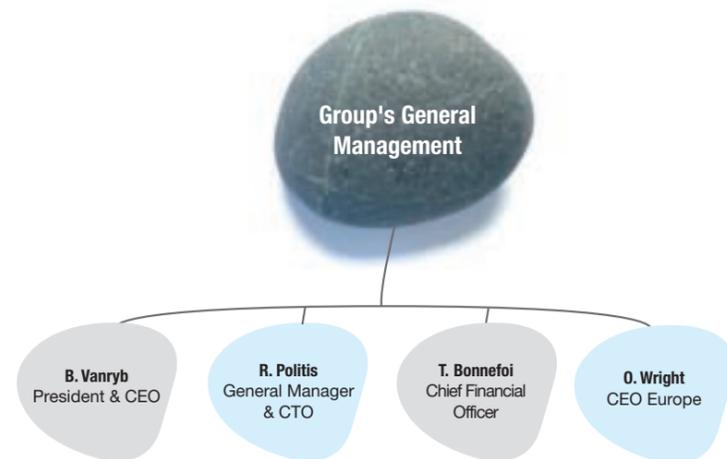
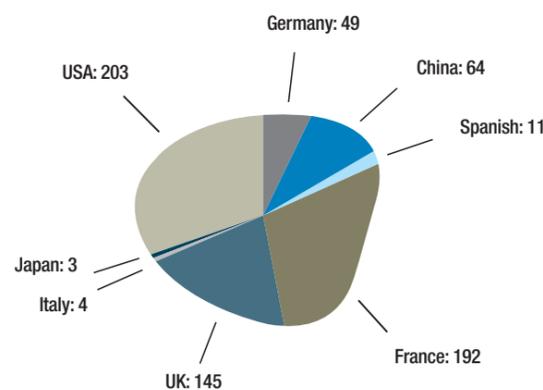
Net income per share in €



# 2007 NEW COMPANY ORGANIZATION: AN ORGANIZATION TO FOSTER AND SERVE AMBITION

670 EMPLOYEES MOTIVATED BY A SHARED PASSION FOR INNOVATION AND STRONG VALUES, SUCH AS ETHICS, RESPECT FOR THE INDIVIDUAL AND RESPONSIBILITY.

### Geographic distribution:



### Nova Development and Emme Executives join the Group:

Olivier Wright, CEO of Emme, is appointed CEO of Avanquest Software Europe and becomes part of the Executive Board with Bruno Vanryb (CEO), Roger Politis (CTO) and Thierry Bonnefoi (CFO). The founders of Nova Development, Roger Bloxberg and Todd Helfstein, join the expanded Executive Board which also includes Andy Goldstein.

Olivier Wright

Roger Politis

Thierry Bonnefoi

Bruno Vanryb

Chris Thompson

Andy Goldstein

David Wright

Todd Helfstein

Bob McNinch

Roger Bloxberg





# R&D ORGANIZATION AVANQUEST SOFTWARE TECHNOLOGY

SPECTACULAR GROWTH OF THE "OWN-IP" LINE AND NEW TECHNOLOGICAL CHALLENGES



«In our industry, the arrival of a new version of Windows is always a major event, accompanied by its share of risks and opportunities: risks linked to technical difficulties resulting from incompatibilities with existing software and hardware, which consequently make its adoption slower than anticipated; but also a wonderful opportunity with the implementation of the new platform offering new possibilities and opening new technological horizons, which has never failed, in the end, to boost users' interest and whet their appetites! Windows Vista, arriving six years after Windows XP, is no exception to the rule.»

Roger Politis, Founder and Chief Technology Officer, Avanquest Software.

The past year was once again rich in milestone events for Avanquest Software's R&D department. First there was the arrival in January 2007 of **Windows Vista**, then, even more significantly, there was the **acquisition of Nova Development and friendly takeover of EMME**. Both Nova and EMME possess rich intellectual property as well as highly **experienced development teams**.

Avanquest Software's R&D team was given a triple challenge:

- 1 Adaptation and upgrading of the existing software lines to take optimal advantage of Windows Vista. This was carried out during all of 2006 reaching completion in February 2007, with the **adaptation of the complete range of software to Vista**. For example, the «productivity» line was overhauled to incorporate a brand new user interface based on the new Vista standards.
- 2 Preparation, on the organizational level, for the **integration of the new R&D teams** from Nova Development and EMME, each bringing with them their own technology and structures. The Group's R&D teams represent almost one third of the workforce and they are equally divided among Paris, Colorado and the Silicon Valley in the United States, as well as Shanghai, China. As a result, starting in 2007, teams situated in our development center in Shanghai already started working on the next versions of selected Nova products!

- 3 Finally, a great challenge for the future, is the integration of new technologies software and application suites into Avanquest's **intellectual property and rich content resources**. Both Nova Development and EMME have licensed the rights to a number of well-known franchises such as Hallmark, Berlitz, Le Louvre, Universalis or Hachette, and manage the corresponding content along with their own proprietary software engines.

Overall, R&D investment increased by **11%** in 2006, which resulted in numerous software launches, ranging from version upgrades to completely new lines:

- 1 In the very innovative field of **Mobility**, in a market that is experiencing strong growth, Connection Manager experienced a strong increase in sales with the launching of the Corporate edition; the launch of the «Mobile Telephony» line (*Mobile Ring Tones and Logos 2, Mobile Video, Mobile Radio, Mobile Safe and DVD to Mobile*) as well as the «iPod» line with *DVD2Pod, WebPodStudio* and *Pod Media Creator* also generated strong sales. Moreover, **Mobile Phonetools** continues as an undisputed category leader of the communications suites for cell phones, having sold **more than 70 million copies sold since its launch**.
- 2 All of the **Utility** line was revamped in 2006, with the release of *Fix-It Utilities 7* and *System Suite 7*, as well as *Web Easy Professional 6*, the N°1 web site creation software priced under \$100 in the US. It is also worth mentioning several innovative products that are currently under development but will not be available for distribution until later in 2007, such as *SendPhotos*, a client/server application which sends photos anywhere and to any media, and a more powerful edition of *SystemCare*, a security and general PC health monitoring suite.



- 3 The **Productivity** line received the most in-depth renewal for developments linked to Vista, which did not hinder the completion and launching of the «*Small Business Pro*» line, an innovative management and accounting suite for SOHO.

Finally the company undertook a simplification of its technical management structure, in preparation for the integration of the two new entities. Thus, the Group's entire **R&D is in the best possible conditions to confront the challenges that 2007 will surely bring!**





# AVANQUEST SOFTWARE OEM

STRATEGIC ALLIANCES: GROWTH DRIVERS FOR TODAY AND TOMORROW



**“2006 saw continued growth of our global OEM sales and customer support organization and the development of powerful new solutions to enhance the offerings of leading global equipment manufacturers and service providers. The year was marked by our formation of new partnerships in major global markets, highlighted by agreements to support network equipment and handset manufacturers in Europe and in the world’s largest cellular telephone market – China.”**

David Wright, President, Avanquest Software Technology & OEM Division, Avanquest Software.

### New partnerships

Beyond cementing a new agreement in Europe with one of the world’s leading manufacturers of cell phones, the continued growth and expansion of our OEM relationships worldwide has been led by dramatic progress of our recently formed Asian OEM organization, which has positioned us to play an important role in serving the rapidly growing Chinese cellular technology and equipment industry. Last year alone, two of China’s leading cellular equipment manufacturers – T&A Mobile Phones and Datang Mobile – agreed to bundle Avanquest’s popular Mobile PhoneTools with their handsets and PC cards.

Strides in major partnerships were not limited to China alone; successes achieved in other parts of the world included signing an agreement with a major phone manufacturer to bundle Mobile PhoneTools with its entire phone line, expanding our long-standing relationship with HP for fax and telephony solutions available in major European markets and finalizing new agreements with leading voice and data network access providers in Europe (Optimus) and North America (Rogers).

### New solutions

Avanquest’s OEM group enters 2007 with an expanded portfolio of state-of-the art solutions, including *SendPhotos Mobile*, an end-to-end service designed to enhance consumer experiences in capturing, managing and sharing high-resolution photos. *SendPhotos Mobile* marks our entry into the burgeoning Mobile Value Added Services market with a powerful turn-key solution that can drive 3G network utilization to boost operator ARPU and increase sales of higher resolution camera phones.

Avanquest’s flagship mobile software offering also has been upgraded and enhanced. *Mobile PhoneTools 4* features a complete UI redesign for improved usability. We also developed three new specialized versions of the communications tool that has already shipped more than 70 million copies worldwide. Each is designed to address specific needs of phone manufacturers, PC card vendors and operators seeking to enhance their offering by providing users a versatile tool for accessing the full power in their mobile devices.

With additional new offerings such as *Mobile Media Manager* and *Bluetooth Manager*, Avanquest Software OEM division continues providing its partners with advanced solutions that optimize the user experience and increase value through innovative features developed exclusively for their technology and services.



# AVANQUEST SOFTWARE ONLINE

IN 2006, OUR ONLINE BUSINESS CONTINUED TO GROW AT MULTIPLES OF OUR TRADITIONAL BUSINESS.



**“We have two constituencies to make happy; customers in our target markets who want online help to buy the right software and services the way they want to; and our software developers who want to use the latest e/commerce technologies and internet based marketing to present their solutions to these customers in the most compelling ways.”**

**Bob McNinch, General Manager, Global e-Commerce, Avanquest Software.**

## Extending our market reach

The Web enables customers to buy our software in remote areas where they are not served by strong retail channels, or where the full extensive catalogue of Avanquest and our partner software titles may not be available to buy. It is a very cost effective way of broadening our market and building our brand. In 2006 we opened new stores to cater to customers in Spain, Italy and Japan. In 2007 we plan to expand both geographically and into target markets.

## Expanding our product range and appeal

As we have seen in music publishing, limited shelf space in traditional retailers means that many customers don't have access to speciality titles with focused appeal, yet these products can add up to significant sales if they can be delivered through the Internet's "virtual" shelf space. As Global E-Commerce General Manager Bob McNinch points out, **“Because we offer electronic software download over the Internet we enable publishers in “the long tail” to access markets not available through traditional channels - and customers' access to a broader range of solutions for their particular needs.”** We expect the growth through this strategy to continue throughout 2007. Some customers are deterred from buying online because of concerns about payment security. In 2006 we expanded the range of payment methods from standard credit cards so that we now offer our customers the ability to pay with other methods such as PayPal, bank transfer, and checks. This has increased sales to those customers who prefer these other online purchasing options. We will increase these methods further in 2007 to broaden the appeal of Avanquest as a place to buy software online.

## Profitable growth

Results from the e-commerce team have delivered **incremental growth to supplement our success in traditional channels.** 2006 saw sales on the Web grow at a rate more than **3x greater than traditional channels.** This growth rate is expected to continue for the foreseeable future. As we build the relationship with our customers it is also our goal to translate this already substantial, and growing, community into increased shareholder value.

The Internet marketing of all Avanquest Software Group products in all territories is now directed by a single international Web division. Based on a powerful e-commerce platform developed in-house, Avanquest offers a unified, global master catalogue of all Avanquest Software titles worldwide, and yet enables online shoppers to access a product catalogue localized to the language and needs of each local customer. We continue to invest in this infrastructure, global tools and systems that can be used across all countries during 2007 to multiply sales globally but divide costs across multiple countries.

The objectives of these strategies are to improve how we communicate with our customers, to deliver operating efficiencies, and to provide a consistent customer experience around the world. In 2007 we plan an increased contribution from the online team to company profitability.

As a development strategy, e-commerce activities satisfied expectations, generating growth of over 35% in 2006 and representing 13% of total software sales.





# AVANQUEST SOFTWARE IN NORTH AMERICA

## AVANQUEST SOFTWARE INCREASES MARKET PRESENCE AND EXPANDS PRODUCT PORTFOLIO



“The addition of Nova Development to Avanquest Software’s North American operations will create significant new revenue and publishing opportunities that will help the group deliver even more innovative, next-generation software solutions in the future. We plan to leverage each other’s attributes to expand our retail and direct-to-consumer coverage, and also to more effectively meet the demands of our consumer and small business customers.”

Todd Helfstein, President, Nova Development, now Avanquest North America.

### A Groundbreaking Union

Avanquest Software’s North American market presence expanded dramatically in 2007. This expansion was achieved both as a result of organic growth within the Avanquest USA division, as well as through the acquisition of U.S. software publisher Nova Development, led by CEO Roger Bloxberg and President Todd Helfstein. **Together, these two strategic divisions give Avanquest Software unprecedented strength in the North American software marketplace**, particularly in such key areas as desktop publishing, small business productivity solutions, utility products, clip art, and home graphics.

### Poised for Continued Growth

With both a shared strategic vision and complementary areas of experience, Avanquest USA and Nova Development are well positioned to leverage each other’s strengths and take Avanquest Software to new heights in the North American software arena.

Avanquest USA and Nova Development have already begun taking advantage of **synergies by selling each other’s products in each other’s specialized distribution channels**. Additionally, the two divisions are achieving substantial cost savings through **intensive collaboration** and **collective purchasing programs**. Avanquest Software’s North American operations will continue to grow through an aggressive strategy focused on direct-to-consumer marketing campaigns, online sales, as well as enhanced partnerships with retailers and third-party developers. As an even **more vigorous and powerful force in North America**, Avanquest Software is poised to provide a greater level of service and support to its customer base than ever before.

### A Leader in North America

The success of both Avanquest USA and Nova Development has catapulted Avanquest Software’s North American business into the top tier of U.S.-based retail publishers. According to The NPD Group, a leading U.S. market research firm, the combined sales of Avanquest USA and Nova Development place them collectively among the top five consumer software publishers in the United States, excluding Microsoft. **Together, Avanquest USA and Nova Development occupy the No. 1 sales position in 12 different software categories. With more than 175 software products and a presence in about 10,000 retail locations throughout the United States, Avanquest USA and Nova Development together boast one of the industry’s largest and most diversified product portfolios.**



Title: Top Ranking U.S. Software - Select Avanquest Software’s titles ranked No. 1 in their categories.



“The combined strengths of our unparalleled retail distribution network, marketing expertise, and solid publishing partnerships will elevate our already enviable standing among North American consumer software companies. We believe that the consumer and small business markets will derive substantial benefits from our joint efforts to enhance one of the most comprehensive product portfolios in the industry.”

Roger Bloxberg, CEO, Nova Development, now Avanquest North America.



# AVANQUEST SOFTWARE IN EUROPE

THE LEADING INDEPENDENT SOFTWARE PUBLISHER IN THE  
EUROPEAN MARKET



“As a result of the combination of Avanquest and Emme’s strengths, the new Avanquest Software group has emerged as the clear leader in the European Software Publishing market. Now a top five player in all three major markets of Europe, UK, France and Germany, and growing strength in Spain and Italy, Avanquest Software is the only company today that can offer this breadth of market coverage.”

**Oliver Wright**, former Emme CEO, today CEO Europe, Avanquest Software.

## Avanquest Software combines a deep understanding of the local markets with a fully integrated European approach

Avanquest Software remains the only company that provides a turn key solution to Developers looking to expand across the major European territories. With strength in all channels including, Retail, Corporate, Online and OEM, Avanquest Software offers a **unique combination of the skills and channel depth** needed to launch, build and maintain a growing, profitable software business in Europe.

The Avanquest publishing model combines the strength of a growing Avanquest-owned IP portfolio, with an expanding strategy to publish “best of breed” products from third-party publishers.

With experienced management teams deployed worldwide and localizations in 26 languages, Avanquest Software can **penetrate new markets quickly, using established distribution channels**, thus enabling developers to avoid the expense of investing in the set-up of organizational structures. Avanquest and our clients also benefit from the reputation and knowledge of well-established companies in each territory, in turn giving each product the best chance for profitable success.

## The future of Avanquest Software in Europe: Multi-channel market leadership, and an expansion of the Avanquest brand to become a multi category leader

The very high cost of launching new software on the global market prevents the majority of software publishers from launching new products in a complete and thorough manner. By leveraging the Avanquest network and global access to developers, we are now poised to become not only market leaders in the individual countries, but moreover, **category leaders throughout Europe and globally.**

*Olivier Wright: “In my eight years as CEO of the Emme group, we have taken a very strong category approach that resulted in our becoming the undisputed leader in Europe in categories such as Multimedia, and cultural software. With the greatly enhanced power of the newly formed Avanquest Software group, I am certain that the application of these proven methods will result in a leadership position in many new categories.”*

With the launch of Avanquest as a software brand name, retailers, corporate, online and OEM clients recognize that **a new force in the software industry has emerged.** These channel partners understand that as the software market matures, fewer and fewer companies will be able to invest in properly servicing these various channels. Thus, the expansion of Avanquest Software in all channels has been warmly welcomed by our many existing partners and the numbers are increasing steadily. In a market known for its fast pace and highly demanding economic parameters, Avanquest Software has earned a reputation as a partner to bank on.

“There is no other company today in Europe with a more deeply established network of channel partners, or a broader publishing portfolio of products than Avanquest Software. Moreover, through the Emme integration, Avanquest Software has strengthened its commitment to “global reach and local expertise”. In each of the individual Avanquest territories in Europe we have strengthened our local knowledge, market share and category coverage. This unique combination of true local specialization across the major European markets is what makes the future for Avanquest Software so bright and sets a standard that no competitor today can live up to.”

**Andy Goldstein**, Vice President Europe, Avanquest Software.

The new European software leader is jointly managed by Oliver Wright, former CEO of Emme, as the new European CEO, and Andy Goldstein, former MD of Avanquest Deutschland and founder of the MediaGold European group acquired by Avanquest in 2003, as European Vice President. Together, Wright and Goldstein bring over 40 years of European expansion experience.

# AVANQUEST SOFTWARE IN ASIA

POISED FOR CONTINUED GROWTH



**“Asia presents huge opportunities, yet entry into Asian markets can be challenging for many foreign companies who lack in-depth local market experience and knowledge. We are very fortunate to have Softbank BB, the largest IT distributor and the well-respected market leader in Japan, as our joint venture partner to explore the opportunities in the largest software market in Asia.”**

**Nana Kurosawa, Vice President, Asian Region, Avanquest Software.**

## Experienced Japanese partner – Softbank

In late 2005, Avanquest launched Avanquest BB K.K, a joint venture with Softbank BB, Japan’s leading IT distributor and provider of broadband infrastructure with over 5 million broadband customers. **A portal for overseas software developers interested in launching their products in the Japanese market**, Avanquest BB K.K. has already entered into agreements with several of the largest Japanese consumer software publishers, include SourceNext, Jungle and AOS Technologies.

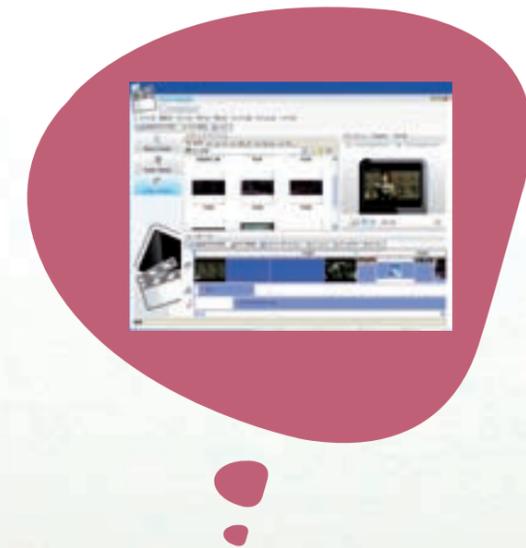
The joint venture extends Avanquest’s global publishing operations by providing licenses for best-in-class software from international developers in variety of categories and facilitating the localization, channel development, marketing and sales activities to maximize the sales through multiple distribution channels, including retail, online, OEM and ASP.

## Chinese market growth opportunities

Avanquest has begun reaping benefits from its local investment in Asia and we look forward to continued return on investment in the region, which is characterized by rapid growth and increasing affluence. China alone, with its population of 1.3 billion, was forecast to have 18.5% compound annual growth rate in software revenue from 2005 through 2010 – the highest in Asia/Pacific (Gartner).

Avanquest’s strides in China since our initial entry as an OEM licensor less than two years ago have been impressive. In 2006, we completed major software license agreements, establishing ourselves as an important resource to technology and equipment manufacturers supplying the enormous Chinese cellular communications market. Our Chinese alliances include agreements with technology leaders such as **Haier Telecom, Datang Mobile and T&A Mobile.**

In addition, many Chinese manufacturers are looking beyond the domestic market, leveraging their manufacturing skills and competitive pricing. They are eager to work with a globally reputable software partner, such as Avanquest, to help their export business.



# CORPORATE GOVERNMENT AND SOCIAL RESPONSIBILITY, SUSTAINABLE DEVELOPMENT PLATFORM



**“I have always been convinced that there could never be sustainable development without a perfect balance among economic, social and environmental factors. At Avanquest Software, we have always placed respect for the values of Transparency, Ethics and Responsibility at the heart of our corporate culture. These essential elements are integrated in every stage of our strategy; they are the driving force behind the principles of our corporate government that we apply everywhere in the world, with regards to our clients, partners and all of our employees.”**

**Bruno Vanryb**, Founder and CEO of Avanquest Software.

## Governance Structure

Avanquest Software has the resources of a **Board of Directors**, an **Executive Committee**, an **Extended Executive Committee** and a **Compensation Committee**. The competencies possessed by these four governing bodies enable management of decision-making to be carried out in a collegial fashion, taking into account the strategic, technical, human and financial imperatives of the corporation.

The **Executive Committee** defines the corporate policy for Avanquest Software. It is composed of both founders of the Company, Bruno Vanryb, who is in charge of the corporation's Global Strategy, along with Roger Politis, who is in charge of R&D and Human Resources; as well as the Chief Financial Officer, Thierry Bonnefoi. At the beginning of 2007, Olivier Wright, CEO of Emme, today European CEO of Avanquest Software, joined the Executive Committee in order to add a strategic sales and marketing dimension.

Following the acquisition of Nova Development, an **Extended Executive Committee** was created, bringing the following people together six times a year: Bruno Vanryb, Roger Politis and Thierry Bonnefoi, as well as Christina Seelye, Andy Goldstein, Bob Lang, Roger Bloxberg and Todd Helfstein. In addition to conferring about strategic subjects of global importance, this Committee represents the ideal forum for dealing with specifically American matters.

Composed of a significant portion of independent administrators, **the Board of Directors** is a platform for strategic thinking with access to the same level of information as the Group's top executives. The diversity of cultures and experience of its members is a rich asset for Avanquest Software. Roger Bloxberg and Todd Helfstein, co-founders of Nova Development, became members of the Board in 2007.

Bertrand Michels, founder of AB Soft, Gilles Quéru, founder and CEO of Invigo, and Jean-Claude Vrignaud, General Manager of Metalsolv Software, represent the industry world.

- Turenne Capital Partenaires and Euridi, companies who joined the Board of Directors as a result of the increase in capital in September 2003, represent the financial realm.
- Andy Goldstein, founder of MediaGold – now Avanquest Deutschland, Roger Bloxberg and Todd Helfstein, respectively CEO and President of Nova Development – are all American; Gilles Quéru and Jean-Claude Vrignaud both spent all or most of their careers in the United States.

## Regular and Transparent Financial Information

In order to be in compliance with the best practices in financial reporting, Avanquest Software has participated in **Euronext's NextEconomy segment right from its formation**. The Company publishes quarterly results and has adopted IAS European accounting standards.

Avanquest's shareholders, analysts and investors have free **access to the Group's complete and transparent financial data**.

- The company's communication is bilingual; all information is published and updated in real time on the Group's websites, as well as on the main financial sites.
- Any request for information made by a shareholder of the corporation is granted as soon as reasonably possible, no matter how many or few shares the individual may own.
- Financial and institutional memos, the Annual Report, and the main memos regarding Avanquest's line of business are systematically sent to all shareholders who hold more than 500 shares.
- An update on activity is systematically made during General Assemblies and meetings with the financial community that are held at least twice a year.



## Ethics, Respect and Responsibility: Values Synonymous with Sustainable Performance

Ethical business conduct, respect for the individual, and corporate responsibility form an integral part of the winning spirit promoted by Avanquest Software. **The 650 employees throughout the world are mobilized around a unifying corporate mission and all share a passion for innovation.** In this way, every success the group experiences is the fruit of a **collective dynamic** wherein each person is encouraged to give the best of himself. Avanquest Software executives are vigilant in giving all team members enough responsibility to make them feel an integral part of the overall group's success.

In a constantly evolving environment, training is naturally one of Avanquest's priorities. By being well-trained, each employee is able to better satisfy customers' needs, both internal and external, and is able to participate more effectively in the development of the corporation.

For Avanquest Software, every supplier is considered to be a partner who is likely to support the group's growth. In soliciting bids for new business projects, bidding process, prospective suppliers and vendors are afforded access to the same level of information. All things being equal, an advantage is given to providers who are existing suppliers for the group, so as to foster development of long-term partnerships. Avanquest Software demonstrates its ethical development **by adhering to the highest standards of responsible business conduct in its dealings with shareholders, customers, suppliers, and affiliates alike.** Through this strong ethical framework, the performance of the corporation is only made more sustainable.

## Our Customers' Satisfaction is at the Heart of Our Commercial Approach

As part of our ongoing effort to monitor those who use our products, surveys are regularly conducted to gauge both distributors' and customers' satisfaction. This customer-centric approach exemplifies our desire to cater to the specific needs of our users in each category and country, by constantly innovating and improving the features of our software. Avanquest Software is very mindful of the compatibility of its software, making sure that users never encounter difficulty when new versions are released. The Group also provides technical support by telephone or e-mail, (depending on the software), as a final element of quality control.

## Working Partners are Stakeholders in the Life and Results of the Corporation

To adapt to a constantly evolving environment, company executives are careful to preserve a flexible organization where decision-making is quick and responsibilities are shared. Through this flexible structure, staff members can feel part of the team and achieve their full potential.

Communication between team members from various departments, subsidiaries and countries is fostered through meetings during travel to the various entities of the group. Exchanges, teamwork and a spirit of mutual support are constantly encouraged, especially through a powerful Intranet, a real information and work tool, shared by all the Group's employees.

Be it through Intranet postings or quarterly internal meetings, each employee is informed in real time of the Group's current events, their strategy and their performances.

Avanquest Software seeks wherever possible to align employee compensation and rewards with the company's financial success. Beginning in 1996, several successive stock option plans were implemented, and in 2004 the Group instituted a profit sharing program in the form of a premium paid to all employees, according to methods that vary pursuant to the laws of each country.

# AVANQUEST SOFTWARE ON STOCK MARKET

## SHAREHOLDERS' SPACE

Market: Euronext Paris' Eurolist  
(Segment C)

Mnemo Code: AVQ

ISIN Code: FR0004026714

Indices: SBF 250, MIDCAC, ITCAC 50,  
IT CAC, NextEconomy, CAC Small90,  
CAC Mid&Small190, CAC AllShares

Number of shares: 10,069,891

### 1996-2006: 10 Years on the Stock Exchange!

Avanquest Software made its debut on the New Market of the Paris Stock Exchange in 1996. Throughout its 10 years on the stock exchange, the Group has always vigilantly provided **clear and transparent communication to shareholders**, even during difficult periods, such as the internet bubble collapsed of 2000-2001. **From the creation of the Next Economy segment in 2002**, Avanquest Software has **adopted industry - leading financial communication and disclosure practices** (publication of quarterly results, adherence to IAS standards as of 2004, etc.). Following the April 2005 consolidation of the three markets regulated from "la Place de Paris", into a single list, Avanquest Software has been quoted on **Eurolist Segment C**. The dual acquisition of Nova and EMME at the beginning of 2007, adds a new dimension to the Group and opens new horizons for its shareholders.

**"Our friendly takeover of EMME is complementary to the acquisition of Nova Development in the United States and is a key element in our strategic vision: to become the most important independent and multi-specialized software publisher in the world. We are convinced that the dynamic for profitable growth which will result from these operations will create value for all our shareholders-both the new ones who are joining us as a result of EMME takeover, and the existing ones, who have been our partners for more than ten years."**

**Bruno Vanryb**, Founder and CEO of Avanquest Software Group.

### Welcome New Shareholders!

Following the alternative public offering initiated on Emme stock, Avanquest Software declared its ownership of 2,168,700 shares of Emme stock, representing 95.21% of its capital and voting power. This high percentage attests to the great confidence Emme shareholders have in joining forces with Avanquest Software.

**"We would like to thank our shareholders for the interest they have shown for the future development of a global industrial project that will create added value over the medium term. Strengthened by this success, we will reach a new level and will now proceed with the integration of structures and development of expected synergies."**

**Olivier Wright**, former Emme CEO, today General Manager Europe, Avanquest Software

### Actively Participate in the Life of the Group

Shareholders and future shareholders, Avanquest has made quality information tools available to you, including a bilingual Internet site ([www.avanquest.com](http://www.avanquest.com)) that combines all Avanquest Software's current events, along with the dates of upcoming announcements for its financial calendar. You will find all the information you need to actively participate in the life of the Group.

Avanquest Software has 9,638 individual and numerous institutional shareholders who have been loyal for many years.

Avanquest Software received the ANVAR Prize, today known as OSEO Innovation, in 2003 and 2006.

### Capital Structure on 05 / 31 / 2007

\*Estimates.

