SIX-MONTH FINANCIAL REPORT AS OF DECEMBER 31, 2015

Avanquest®

INDEX

Copies of this six-month financial report are available at Avanquest's head office, located at 89-91, boulevard National – 92257 La Garenne-Colombes Cedex – France, as well as on the website of the French financial markets authority (Autorité des marchés financiers) http://www.amf-france.org and on the Avanquest website http://www.avanquest-group.com.

1. CERTIFICATION OF THE PERSON RESPONSIBLE

I certify that to my knowledge, the summarized consolidated financial statements for the past six-month period have been drawn up pursuant to the applicable accounting standards, and give a true picture of the assets, the financial position, and the profits of the Company and of all of the businesses included in the consolidation, and that the six-month activity report attached hereto presents a true picture of the significant events which took place during the first six months of the fiscal year, their impact upon the financial statements, the principal transactions between related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

La Garenne-Colombes, March 30, 2016

Pierre Cesarini
Chairman of the Management Board

2. SUMMARIZED SIX-MONTH CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

All information is expressed in thousands of euros, unless otherwise noted.

2.1 Statement of comprehensive income

(in thousands of euros)	Notes	12/31/2015	12/31/2014 6 months Restated*
NET REVENUES	**5.1**	**71,579**	**51,509**
Raw materials and purchases of goods		(29,691)	(17,207)
Other purchases and external expenses		(27,344)	(21,619)
Taxes, fees and similar payments		(62)	(84)
Employee expenses		(12,554)	(11,341)
Depreciation and provisions (net of reversals)		(3,293)	(1,525)
Other recurring operating income and expenses		(5,300)	(4,478)
RECURRING OPERATING INCOME		**(6,666)**	**(4,747)**
Other operating income and expenses	5.2	(315)	5,997
OPERATING RESULT		**(6,981)**	**1,251**
Net borrowing costs		(67)	(477)
Other financial expenses		(328)	(12)
Other financial income		55	1,149
FINANCIAL RESULT	**5.3**	**(340)**	**660**
Tax expense	5.4	(703)	(458)
Share of profit or loss of associates		(61)	-
NET INCOME FROM CONTINUING OPERATIONS		**(8,086)**	**1,453**
NET INCOME FROM DISCONTINUED OPERATIONS	**5.5**	**-**	**557**
NET RESULTS		**(8,086)**	**2,010**
Share of equity owners of the parent company		(8,086)	(4,851)
Share of non-controlling interests		-	7,417
EARNINGS PER SHARE			
Net earnings per share, Group share (*in euros*)		(0.02)	(0.18)
Net earnings per share, Group share, after potential dilution (*in euros*)		(0.02)	(0.18)
NET RESULT		**(8,086)**	**2,010**
Other items of the comprehensive income			
Exchange-rate differentials for foreign operations		(263)	587
Exchange-rate differentials on net investments in foreign operations		114	399
Gains (Losses) on hedging transactions		-	(120)
TOTAL OTHER ITEMS OF THE COMPREHENSIVE INCOME		**(149)**	**866**
COMPREHENSIVE INCOME		**(8,235)**	**2,876**
Share of equity owners of the parent company		(8,235)	(4,966)
Share of non-controlling interests		-	7,841

* *In application of IFRS 5, the activity of ProcessFlows Ltd has been restated from the consolidated figures for the fiscal years analyzed, and its results are presented on a separate line of the income statement, "Net income from discontinued operations".*
All items of the comprehensive income are recyclable in profits/losses, except for the actuarial differences on retirement commitments.

2.2 Statement of financial position

(in thousands of euros)	Notes	12/31/2015	6/30/2015
Goodwill	3.1	4,893	4,761
Intangible assets	3.1	5,478	7,263
Property, plant and equipment		617	588
Financial assets		403	738
Equity interests in associated entities	6.2	193	2,306
Deferred tax assets		26	27
NON-CURRENT ASSETS		**11,610**	**15,683**
Inventories and works-in-progress		6,293	5,911
Trade receivables	3.2	16,087	4,753
Current tax assets		481	1,330
Other current receivables		3,646	5,563
Cash and cash equivalents	3.3	22,747	30,461
CURRENT ASSETS		**49,254**	**48,018**
TOTAL ASSETS		**60,864**	**63,701**

(in thousands of euros)	Notes	12/31/2015	6/30/2015
Share capital		37,522	37,498
Share premium and consolidated reserves		(8,506)	(1,700)
Net income, Group share		**(8,086)**	**(6,531)**
EQUITY – SHARE OF EQUITY OWNERS OF THE PARENT COMPANY	**4.1**	**20,930**	**29,267**
Non-controlling interests		-	-
TOTAL EQUITY	**2.4**	**20,930**	**29,267**
Non-current financial liabilities	4.2	949	1,787
Non-current provisions		75	286
Other non-current liabilities	4.3	518	376
TOTAL NON-CURRENT LIABILITIES		**1,542**	**2,449**
Current provisions		1,049	1,282
Current financial liabilities	4.2	1,606	4,806
Trade payables	4.4	30,659	21,338
Current tax liabilities		530	263
Other current liabilities		4,548	4,297
CURRENT LIABILITIES		**38,392**	**31,985**
TOTAL LIABILITIES		**60,864**	**63,701**

2.3 Statement of cash flow

(in thousands of euros)	Notes	**12/31/2015 6 months**	12/31/2014 6 months Restated*
Operating activities		-	-
Net income of all consolidated accounts		(8,086)	1,453
Share of profit or loss of associates		61	-
Elimination of items without any impact on cash position or not linked with operations:			
• Net depreciation and provisions (excluding current provisions)		2,740	1,669
• Share-based payments (IFRS 2) and other restatements		34	58
• Net borrowing costs recognized		73	478
• Gains and losses on sale		(40)	(7,534)
• Tax expense (including deferred taxes) recognized		703	458
Cash flow position		***(4,514)***	***(3,417)***
Changes in working – capital requirements	3.2 & 4.4	(1,204)	4,337
Taxes paid		(350)	42
Net financial interest paid		(74)	(415)
Cash flow from operations		**(6,142)**	**547**
Investment transactions			
Acquisitions of intangible assets	6.1	(823)	(1,819)
Acquisitions of property, plant and equipment		(189)	(208)
Disposals of property, plant and equipment and intangible assets		44	-
Acquisitions of financial assets		(13)	(72)
Disposals of financial assets		40	70
Impact of changes in scope		-	6,025
Net cash flow related to investment		**(942)**	**3,996**
Financing transactions			
Capital increase	2.4	(137)	-
Dividends received from companies accounted for using the equity method	6.2	2,074	-
Proceeds from borrowings		-	21,184
Disbursements related to borrowings	4.2	(3,122)	(27,110)
Net cash flow related to financing		**(1,185)**	**(5,926)**
Net cash from discontinued operations		**-**	**(170)**
Changes in cash position		***(8,269)***	***(1,553)***
Opening cash(1)		30,431	10,524
Impact from variation in exchange rates on cash and cash equivalents		(62)	443
Closing cash(2)		22,099	9,413

(1) Cash and cash equivalents = €30,461 thousand.
Bank account overdrafts = €30 thousand.
(2) Cash and cash equivalents = €22,747 thousand.
Bank account overdrafts = €648 thousand.
** Restated in taking into account the application of IFRS 5.*

2.4 Statement of change in equity

(in thousands of euros)	Capital	Issue premium	Translation reserves	Consolidated reserves	Profit/Loss	Group share	Non-controlling interests	Total
AS OF JUNE 30, 2014*	**27,354**	**124,140**	**(7,340)**	**(100,272)**	**(42,615)**	**1,267**	**1,291**	**2,558**
Exchange-rate differentials	-	-	442	-	-	442	424	866
Other items of the comprehensive income	**-**	**-**	**442**	**-**	**-**	**442**	**424**	**866**
Profit/Loss for the period	-	-	-	-	(5,408)	(5,408)	7,417	2,009
Comprehensive income	**-**	**-**	**442**	**-**	**(5,408)**	**(4,966)**	**7,841**	**2,875**
Capital increase	2,622	(34)	-	-	-	2,588	-	2,588
Appropriation of retained earnings	-	-	-	(42,615)	42,615	-	-	-
Share-based payments	-	-	-	58	-	58	-	58
Change in method	-	-	-	-	-	-	(1,975)	(1,975)
Distribution of dividends	-	-	-	-	-	-	(7,042)	(7,042)
AS OF DECEMBER 31, 2014	**29,976**	**124,106**	**(6,898)**	**(142,829)**	**(5,408)**	**(1,053)**	**115**	**(938)**
Exchange-rate differentials	-	-	139	-	-	139	33	172
Other items of the comprehensive income	**-**	**-**	**139**	**-**	**-**	**139**	**33**	**172**
Profit/Loss of the period	-	-	-	-	(1,123)	(1,123)	647	(476)
Comprehensive income	**-**	**-**	**139**	**-**	**(1,123)**	**(984)**	**680**	**(304)**
Capital increase	7,522	(3,287)	-	26,984	-	31,219	-	31,219
Share-based payments	-	-	-	(35)	-	(35)	-	(35)
Changes in scope	-	-	-	120	-	120	(40)	80
Change in method	-	-	-	-	-	-	(156)	(156)
Distribution of dividends	-	-	-	-	-	-	(599)	(599)
AS OF JUNE 30, 2015	**37,498**	**120,819**	**(6,759)**	**(115,760)**	**(6,531)**	**29,267**	**-**	**29,267**
Exchange-rate differentials	-	-	(149)	-	-	(149)	-	(149)
Other items of the comprehensive income	**-**	**-**	**(149)**	**-**	**-**	**(149)**	**-**	**(149)**
Result for the period	-	-	-	-	(8,086)	(8,086)	-	(8,086)
Comprehensive income	**-**	**-**	**(149)**	**-**	**(8,086)**	**(8,235)**	**-**	**(8,235)**
Capital increase	24	(160)	-	-	-	(136)	-	(136)
Appropriation of retained earnings	-	-	-	(6,531)	6,531	-	-	-
Share-based payments	-	-	-	34	-	34	-	34
AS OF DECEMBER 31, 2015	**37,522**	**120,659**	**(6,908)**	**(122,257)**	**(8,086)**	**20,930**	**-**	**20,930**

* *Correction of error pertaining to the breakdown of non-controlling interests: Equity as of June 30, 2013 and as of June 30, 2014 has been restated by a correction on the breakdown of depreciation of goodwill between the Group share and the share of the non-controlling interests. This correction increases the non-controlling interests and decreases the Group share of equity, for an amount of €349 thousand as of June 30, 2013 and for a cumulative amount of €772 thousand as of June 30, 2014.*

The amount of the transaction costs connected to the capital increase of June 2015 has been deducted from the share premium account. These costs correspond mainly to the balance of the fees of the financial intermediaries in charge of the transaction.

2.5 Appendix to the summarized six-month consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES, RULES AND METHODS

The consolidated financial statements of the Avanquest group as of December 31, 2015 include the Avanquest SA company and its subsidiaries (designated collectively, "the Group") and the Group's share in the associated businesses.

The summarized consolidated financial statements of the Avanquest group as of December 31, 2015 have been drawn up according to IAS 34 of IFRS, as adopted in the European Union, pertaining to the interim financial information and available on the site http://ec.europa.eu/finance/company-reporting/index_en.htm.

The accounting principles and the modalities for calculation adopted in order to draw up the summarized consolidated financial statements as of December 31, 2015 are identical to those adopted in the consolidated financial statements as of June 30, 2015, published on November 30, 2015, with the exception of the standards and interpretations for which the application is obligatory for fiscal years opening as of July 1, 2015 (the description of such principles and modalities is presented in the appendix to the consolidated financial statements as of June 30, 2015).

The new standards and interpretations which must be applied as of July 1, 2015 are the following:

- amended IAS 19, "Defined benefits plan: Employee contributions";
- annual improvements, 2010-2012 cycle.

The application of these standards is without significant impact on the financial statements of the period.

The new standards and interpretations for which the application is not obligatory as of July 1, 2015 have not been applied in advance as of December 31, 2015. These are:

- improvements to the IFRS (2012-2014 cycle);
- IFRS 9 – Financial instruments;
- IFRS 14 – Regulatory deferral accounts;
- IFRS 15 – Revenue from contracts with customers;
- amendments to IFRS 10 and IAS 28 – Sales or contribution of assets between an investor and its associate/joint venture;
- amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations;
- amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization;
- amendments to IAS 27 – Equity method in separate financial statements;
- amendments to IAS 1 – Disclosure initiative.

No significant impact is expected from the application of these standards.

The condensed six-month consolidated financial statements of the Group as of December 31, 2015, have been drawn up under the responsibility of the Management Board on the date of March 30, 2016.

Pursuant to the standard, the appendix presented is limited to important notes.

NOTE 2 PRINCIPAL JUDGMENTS AND ESTIMATES FOR THE SIX-MONTH CLOSING

The preparation of the financial statements of the Group requires that the management have recourse to judgments, estimates, and assumptions having an impact on the recognized amounts in the financial statements, as assets, liabilities, income and expenses.

The principal assumptions and estimates having impacted the drawing up of the financial statements for the six-month period are unchanged with respect to those used for the period ended June 30, 2015. For the record, these concern the following items:

- the appraisals utilized for the impairment tests of goodwill and of other non-current assets;
- the recoverability of the capitalized development expenses.

NOTE 3 ADDITIONAL INFORMATION PERTAINING TO BALANCE SHEET ASSETS

Note 3.1 GOODWILL AND OTHER NON-CURRENT ASSETS

The cash-generating units (CGUs) utilized in late December 2015 are unchanged compared to June 30, 2015.

The review of the results of the six-month period which make up the CGUs and the examination of the expected outlooks did not result in any detection of an indication of impairment of value as of December 31, 2015. Consequently, no new impairment test for goodwill has been implemented, and the assumptions which make it possible to conclude the absence of impairment of goodwill and the capitalized development costs are unchanged in comparison with those which appear in the appendix to the consolidated financial statements as of June 30, 2015.

The changes in net goodwill have the following result:

(in thousands of euros)	Net goodwill as of 6/30/2015	Movements of the fiscal year	Exchange-rate differential	Depreciation	**Net goodwill as of 12/31/2015**
Digital Printing CGU	4,761	-	132	-	4,893
BtoC CGU	-	-	-	-	-
TOTAL	**4,761**	**-**	**132**	**-**	**4,893**

Changes in development expenses are represented below:

(in thousands of euros)	NBV capitalized – R&D projects as of 6/30/2015	Capitalization of the fiscal period	Exchange-rate differential	Depreciation of the fiscal period	**NCV capitalized R&D projects as of 12/31/2015**
Digital Printing CGU	2,283	249	-	(747)	1,785
BtoC CGU	4,481	467	-	(1,955)	2,993
TOTAL	**6,764**	**716**	**-**	**(2,702)**	**4,778**

Note 3.2 TRADE RECEIVABLES

(in thousands of euros)	6/30/2015	Increase	**12/31/2015**
Trade receivables	4,753	11,334	16,087
TOTAL	**4,753**	**11,334**	**16,087**

Trade receivables increased by €11,334 thousand, of which €10,589 thousand are attributable to the Avanquest Software Publishing Ltd. subsidiary. The subsidiary actually had very good sales at the end of the year, with the Minecraft Story Mode game: 40% of the sales over the six-month period took place in the month of December.

Note 3.3 CASH AND CASH EQUIVALENTS

Cash (€22.7 million as of December 31, 2015 and €30.5 million as of June 30, 2015) is made up of bank accounts and cash investments, the liquidation value of which is identical to the book value.

(in thousands of euros)	Cash as of 12/31/2015 (Euro)	Cash as of 12/31/2015 (Currency)
EURO	7,703	7,703
USD	10,035	10,925
GBP	4,846	3,557
RMB	58	408
CAD	104	158
TOTAL	**22,747**	

NOTE 4 ADDITIONAL INFORMATION PERTAINING TO BALANCE SHEET LIABILITIES

Note 4.1 SHARE CAPITAL

Capital

As of December 31, 2015, the share capital of the Avanquest SA company was made up of 375,222,555 shares with a par value of €0.10, all in the same category.

Since the close of the preceding fiscal year, the capital has changed as follows:

	Units	Amount in euros
As of June 30, 2015	**374,982,555**	**37,498,256**
Creation of shares following the allocation of bonus shares	240,000	24,000
AS OF DECEMBER 31, 2015	**375,222,555**	**37,522,256**

The principal objective of the Group in terms of management of the capital is to ensure the maintenance of sound ratios on the capital, in such a way as to facilitate its activity and development. The Group manages its capital structure with regard to developments in economic conditions and constraints linked to its indebtedness.

Other securities giving access to capital

Since the close of the preceding fiscal year, the Board of Directors, at their meeting of October 8, 2015, recorded a capital increase of €24,000 following the allocation of 240,000 bonus shares to the benefit of Thierry Bonnefoi by a decision of the Board of Directors of November 6, 2014, giving access to the issuance of 240,000 new shares with a par value of €0.10.

In the assumption that all of the rights attached to the options, bonus shares, authorized subscription warrants and convertible bonds become exercisable, and are exercised, the share capital of Avanquest would be increased by an amount of €133,341.70.

The share capital would be thus brought up from €37,522,255.50 to €37,655,597.70, or an increase in percentage of 0.36%, spread out over time between 2016 and 2018. It is necessary, however, to note that 76% of the bonus shares would only be exercised if certain growth objectives in the stock price or profitability objectives are attained.

Note 4.2 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

During the six-month period, financial debt changed as follows:

(in thousands of euros)	**6/30/2015**	Increases	Repayments	Change in scope/ Changes in foreign exchange	12/31/2015
Borrowings	4,558	659	(3,791)	69	1,496
Credit facilities	1,516	-	(1,516)	-	-
Other financial liabilities	423	0	(75)	(0)	349
Bank account overdrafts	30	618	-	1	648
Derivative financial instruments recognized in liabilities	2	-	(2)	-	-
Accrued interest not yet due	64	(2)	-	-	63
TOTAL	**6,593**	**1,275**	**(5,384)**	**70**	**2,555**

Borrowings

Borrowings have dropped by €4,558 thousand to €1,496 thousand. The change can be explained as follows:

- Avanquest SA had a bank debt of €1.6 million which was paid back at the time of the receipt of the deferred price of Arvixe in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations*, in such way that the repayments did not negatively impact the cash position;
- in May 2015, Avanquest North America signed a long-term loan for €2 million at a variable rate of 5.25%, with the Cathay Bank. The financing utilized as of December 31, 2015 was $1.63 million or €1,496 thousand (including a long-term portion of €949 thousand) versus $2 million in late June 2015, the repayment over the six-month period being €340 thousand;
- as of June 30, 2015, Avanquest China had a loan guaranteed by the Cathay Bank at Avanquest North America for RMB 8.4 million, or €1.2 million. This loan was fully paid back in late August 2015.

Credit facilities

In late June, Avanquest North America had a credit facility of $3 million, of which $1.65 million (€1.515 million) had been used. The contract ended in late September, and the credit facility was fully repaid.

Other financial liabilities

The other financial liabilities of €349 thousand consist of the balance of the Oséo Innovation loan, for an amount of €308 thousand and current accounts of shareholders, for an amount of €39 thousand.

The maturity date for such financial liabilities is shown in the following manner:

(in thousands of euros)	**Total**	Less than one year	From one to five years	More than five years
Borrowings	1,496	547	949	-
Credit facilities	-	-	-	-
Other financial liabilities	349	349	-	-
Bank account overdrafts	648	648	-	-
Accrued interest not yet due	63	63	-	-
TOTAL	**2,555**	**1,606**	**949**	**-**

Note 4.3 OTHER NON-CURRENT LIABILITIES

The other non-current liabilities originate from payment of retirement benefits for which a provision was made in the balance sheet (€0.5 million).

Note 4.4 TRADE PAYABLES

(in thousands of euros)	6/30/2015	Increase	**12/31/2015**
Trade payables	21,338	9,321	30,659
TOTAL	**21,338**	**9,321**	**30,659**

There was a sharp increase under this item of €9,126 thousand.

The change of the item can be broken down as follows:

- an increase of €4,588 thousand for Avanquest Software Publishing Ltd, due to the purchases of the Minecraft Story Mode games. It should be noted, however, that the "suppliers" item does not increase in the same proportions, because 50% of the order is payable in advance;
- an increase of €8,092 thousand for Avanquest North America, the Web-to-Print activity of this subsidiary being very seasonal. If sales are paid for in cash, the suppliers are paid with a usual time period for payment, which explains why the "suppliers" item in the balance sheet shows a sharp increase, while the changes in the "customers" heading is very insignificant;
- a drop of €3,275 thousand for Avanquest SA. The subsidiary actually caught up with the late payments that it had in late June.

NOTE 5 NOTES ON THE INCOME STATEMENT

Note 5.1 REVENUE

Revenue from the first half of the 2015-2016 fiscal period

(in thousands of euros)	**12/31/2015 6 months**	12/31/2014 6 months Restated*	12/31/2014 6 months Published
NET REVENUES	**71,579**	**51,509**	**60,551**

* *Restatement of ProcessFlows and of the correction of presentation on Revenue from support of €0.9 million.*

The profit-and-loss account of the first half of the 2014-2015 fiscal year was corrected for the error in the presentation of the revenue from support – as described in Note 6.1 of the financial statements ended June 30, 2015.

Over the first half of the 2015-2016 fiscal year, the Group posted revenue of €71.6 million, as compared with €51.5 million for the first half of the 2014-2015 fiscal year (restated), or €48.3 million, with equivalent scope, being an increase of 48%. This strong growth, the fruit of the Group's successful restructuring, is brought about by the boom of PlanetArt and the success of the publishing operations products and software distribution.

Seasonality

The Group's activity has a very significant seasonality, which can be explained as follows:

- **PlanetArt:** a portion of PlanetArt's activity (Web-to-Print) is very seasonal, since it corresponds to sales of greeting cards or personalized items which are often given at the end of the year. Therefore, the months of November and December generally represent over 50% of the revenue for the fiscal year. The Mobile-to-Print activity is fairly regular throughout the year;
- **myDevices:** there is no significant seasonality to be noted in this business;
- **Avanquest Software:** while online sales are spread throughout the year, the Retail business is fairly seasonal. Indeed, the few months preceding Christmas are normally the most significant for the fiscal year, principally in sales of games. During the period, this was confirmed by an excellent performance in video games sales in October, November and December.

Note 5.2 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses, which amount to a loss of - €315 thousand, consist of the following:

- the write-off of bank debt obligations in the framework of the financial restructuring, for proceeds of €230 thousand;
- financial restructuring costs of - €62 thousand;
- operating restructuring expenses of - €411 thousand;
- other operating costs, for an amount of - €72 thousand.

Note 5.3 ANALYSIS OF THE FINANCIAL RESULT

The financial result shows a loss of - €340 thousand, owing primarily to the following:

- favorable net latent exchange-rate differentials on intragroup current accounts, for €55 thousand;
- net borrowing costs for - €67 thousand;
- depreciation of the Mediaclip convertible bonds for - €140 thousand;
- depreciation of a security deposit on a borrowing for - €171 thousand.

Note 5.4 INCOME TAXES

The tax is a current tax expense of €0.7 million over the first half (as compared to €0.5 million over the preceding period).

Note 5.5 NET INCOME FROM DISCONTINUED OPERATIONS

The Group sold ProcessFlows (UK) Ltd on May 29, 2015. In implementation of IFRS 5, the net income from such activity is presented, over the comparative period, on a separate line of the income statement, "Net income from discontinued operations", and is the subject of a restatement in the statement of cash flow of N-1.

This note reiterates the principal aggregates of the income statement and cash flow of ProcessFlows (UK) Ltd for the period from July 1, 2014 to December 31, 2014.

The contributing income statement of ProcessFlows (UK) Ltd over the July-December 2014 fiscal year is shown below:

(in thousands of euros)	2014-2015 6 months
Net revenues	**8,108**
Recurring operating income	**656**
Other operating income and expenses	-
Operating result	**656**
Financial result	**0**
Tax expense	(99)
NET RESULTS	**557**

The cash statement of ProcessFlows (UK) Ltd over the July-December 2014 fiscal year appears below:

(in thousands of euros)	2014-2015 6 months
Cash flow from operations	(134)
Net cash flow related to investment	(36)
Net cash flow related to financing	-
Changes in cash position of discontinued operations	(170)

NOTE 6 NOTES ON THE CASH STATEMENT

Note 6.1 ACQUISITIONS OF INTANGIBLE ASSETS

The amount of €823 thousand of intangible assets includes €716 thousand of capitalization of the costs of Research & Development by the U.S. subsidiary.

Note 6.2 DIVIDENDS RECEIVED FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The Avanquest North America subsidiary collected a dividend of $2,282 thousand from the Arvixe company, which is consolidated using the equity method, following the payment of the deferred price from the disposal of the assets of that company. This is the reason why the Group share in the associated entities decreased significantly, from €2,306 thousand to €193 thousand.

NOTE 7 NOTES ON OFF-BALANCE SHEET COMMITMENTS

Note 7.1 CLAUSES FOR ADDITIONAL CONSIDERATION TO BE PAID FOR ACQUISITIONS AND EQUITY INTERESTS

The additional consideration of €2 million to be paid in connection with the sale of ProcessFlows (UK) Ltd realized during the course of the preceding fiscal year, was not fully integrated into accounting at the time of the disposal, and will be recorded as income, if applicable, if the terms are realized.

In addition, the write-off of reciprocal debts and debt obligations between ProcessFlows (UK) Ltd and Avanquest SA, which was planned in the sale protocol, was finalized in March 2016. The proceeds to be recorded in the context of this discontinued operation will be €0.6 million.

NOTE 8 NOTES ON RISKS

A tax audit is currently underway on the 2011-2014 period. Other than this audit, no significant change has taken place since the close of the preceding fiscal year.

NOTE 9 OTHER INFORMATION

Note 9.1 SECTOR INFORMATION

In application of IFRS 8, “Operating segments”, the information presented is based upon internal reporting, used by the Group’s Management for the evaluation of the performance of the various sectors.

The Group’s Management monitors its activity according to three divisions, corresponding to those presented during its last press releases:

- PlanetArt is the division managing the digital printing business, both thanks to its different Web-to-Print sites, but also because it is the leader of mobile printing, through its FreePrints offer – the least expensive solution and the simplest in the world, for producing photo prints from a smartphone;
- myDevices is the business connected to the management of connected objects, and corresponds to the first global platform for management of the Internet of Things (IoT), which makes it possible for big companies, regardless of their sector of activity, to rapidly develop and deploy an IoT solution for their customers. This division also hosts historic mobility activities;
- Avanquest Software groups together the historic activities of software publishing and distribution in their totality. A benchmark player in online and offline sales, every year Avanquest Software sells over a million software packages through its websites and its sales points throughout the world.

Today, the Group considers that there are only two CGUs:

- Digital Printing corresponds to the PlanetArt division;
- BtoC groups together myDevices and Avanquest Software.

The myDevices activity is actually now starting up, and its weight is not significant in the Group's revenue. Moreover, this activity is hosted in numerous companies of the Group, who themselves also manage different businesses. Thus, the flows, in particular on the balance sheet, connected to myDevices are not immediately identifiable. This is why the Group's management deems that myDevices does not constitute either a separate sector, within the meaning of IFRS 8, nor a distinct CGU apart from the rest of the BtoC CGU. This analysis could change in the future, with the progressive upswing that is expected in this business.

The Group's internal reporting is based upon adjusted EBITDA from the various divisions, which corresponds to recurring operating income before the impact of depreciation and provisions, and of the capitalized R&D.

The current operating result is a loss of €6.7 million. The difference between the adjusted EBITDA and the operating result can be broken down as follows: €3.3 million in depreciation, €0.7 million of capitalized production (in product), and €0.2 million in restatements of consolidation (retirement benefits, bonus shares).

On these bases, the sector information can be analyzed in the following manner for the first half, from July to December 2015.

Key figures per CGU, first half of the 2015-2016 fiscal year *(in millions of euros)*	BtoC	Digital Printing	Total Avanquest
External revenue	39.8	31.8	71.6
Adjusted EBITDA*	**1.5**	**(5.3)**	**(3.8)**

* *Including corporate expenses allocated proportionally to the revenue.*

NOTE 10 EVENTS TAKING PLACE AFTER CLOSING

Change in governance

A new mode of governance has been in place since January 1, 2016, with the constitution of a Management Board and of a Supervisory Board, following the positive vote for such resolution at the Combined General Shareholders' Meeting of November 30, 2015. For further information, please refer to the six-month activity report.

Buyback of a block of 23,629,791 shares off the market

The Management Board of Avanquest, under the chairmanship of Pierre Cesarini, after having obtained the prior authorization of the Supervisory Board, decided on March 8, 2016, to partially implement the share buyback program, and bought back, off the market, a block of 23,629,791 of its own shares, representing 6.3% of its share capital. These shares, held by FPB Invest, whose manager, Frédéric Paul, is a member of the Company's Supervisory Board through the RE Finance Consulting SA company, were acquired for a total price of €2,592,928.97, or €0.1097 per share.

Frédéric Paul, representing the RE Finance Consulting SA company, resigned from his position as a member of the Supervisory Board on that same day.

Avanquest thus now possesses 6.35% of its own shares, held in treasury. The whole of the share purchases was financed by Avanquest's cash assets.

2.6 Statutory Auditor's report on the six-month financial information

To the Shareholders,

In performance of the mission that was entrusted to us by your General Shareholders' Meetings, and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have proceeded with the following:

- the limited review of the summarized six-month consolidated financial statements of the Avanquest company, pertaining to the period from July 1, 2015 to December 31, 2015, such as attached to this report;
- the verification of the information given in the six-month activity report.

These summarized six-month consolidated financial statements were drawn up under the responsibility of the Management Board. It is up to us, on the basis of our limited review, to express our conclusion on those statements.

1. CONCLUSION ON THE STATEMENTS

We carried out our limited review according to the applicable professional standards practiced in France, with the exception of the point described in the following paragraph. A limited review consists primarily of discussions with the members of Management in charge of the accounting and financial aspects, and implementing analytical procedures. This work is less extensive than that required for an audit performed according to the applicable professional standards practiced in France. Therefore, the assurance that the statements, taken as a whole, do not contain any significant anomalies, obtained in the context of a limited review, is an opinion of moderate assurance, not as high as that which would be obtained in the framework of an audit.

As indicated in Note 3.1 of the Appendix, the assessment of the value of goodwill and non-current assets allocated to the Digital Printing CGUs and BtoC as of December 31, 2015, is founded upon the impairment test implemented in the framework of the closing of the annual financial statements at June 30, 2015. This impairment test was carried out on the basis of budgetary assumptions and plans with a three-year outlook, and on the basis of a flat capitalization rate of 30%. No depreciation of assets was recorded following the implementation of this test. In the absence of any signs of depreciation, no new impairment test was performed as of December 31, 2015.

In our report of November 20, 2015 concerning the fiscal year ended June 30, 2015, we had formulated a reservation pertaining to the impossibility of estimating the assumptions for growth and profitability and the flat capitalization rate used by management in the framework of the implementation of the impairment test of goodwill and of non-current assets. For the same reasons, we are not able to estimate the net value of the goodwill, which was €4.9 million as of December 31, 2015. Likewise, we are not able to estimate the net value of the capitalized development expenses, which were €4.8 million as of December 31, 2015.

On the basis of our limited review, and subject to such reservation, we did not find any significant anomalies of such type as to challenge the compliance of the summarized six-month consolidated financial statements with IAS 34 – the IFRS reference standard as adopted by the European Union pertaining to interim financial information.

Without putting into question the conclusion expressed above, we draw your attention to:

- the correction of the error concerning the revenue from July 1 to December 31, 2014, in the amount of €900 thousand, set forth in Note 5.1 of the Appendix.

2. SPECIFIC VERIFICATION

We also proceeded with the verification of the information given in the six-month activity report, commenting upon the summarized six-month consolidated financial statements, which our limited review concerned.

With the exception of the possible impact of the facts set out in the first part of this report, we have no other observations to formulate on their truthfulness and their concordance with the summarized six-month consolidated financial statements.

Paris and Paris-La Défense, on March 31, 2016

The Statutory Auditors

APLITEC	**ERNST & YOUNG et Autres**
Pierre Laot	Franck Sebag

3. SIX-MONTH ACTIVITY REPORT AS OF DECEMBER 31, 2015

Significant events of the six-month period

FINALIZATION OF THE GROUP'S REORGANIZATION

The first half of the 2015-2016 fiscal year was marked by the finalization of the Group's reorganization, following the financial restructuring and recapitalization concluded successfully in June 2015. During the period, a downsizing in staff numbers (mainly in administrative positions and in Retail activities) was finalized, allowing the Group from that point on to have a structure that was sufficient to meet its needs and its strategy.

CHANGE IN GOVERNANCE

In July 2015, a new Board of Directors was constituted, with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire et conseil de surveillance)*, effective as of January 1, 2016. This mode of governance has been in place since that time. The Supervisory Board is constituted of the following appointed persons: of Marc Goldberg, Chairman; and Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA, represented by Frédéric Paul.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

Revenues

Over the first half of the 2015-2016 fiscal year, the Group posted revenue of €71.6 million, as compared to €48.3 million for the first half of the 2014-2015 fiscal year, at equivalent scope (excluding ProcessFlows (UK) Ltd and Arvixe – businesses that were sold during the course of the fiscal year closed during 2015), being an increase of 48%. This strong growth, the fruit of the Group's successful restructuring, was brought about by the boom of PlanetArt and the success of the publishing operations products and software distribution.

PlanetArt, specialized in Digital Printing, realized revenue of €31.8 million, an increase of 74% in comparison to the first half of the 2014-2015 fiscal year. PlanetArt benefited fully from strong year-end sales in its Web-to-Print businesses, while Mobile-to-Print, through its mobile FreePrints application, continues its very rapid development in the United States and in Europe. This application continues to be regularly ranked among the best in its category, all while accumulating positive reviews from its users, even better proof of the quality of the service offered.

myDevices brings together simultaneously the high-potential business of management of connected objects, and the historic mobility activities. This division pursued its deployment and posted revenue of €2 million over that first half, thanks to the mobility business, and this was true even despite the scheduled end of sales of embedded software, and a delayed timing in the implementation of contracts on its platform for the management of connected items. That first half was extremely active, with the successful launch of its platform on October 8, 2015, offering for the first time a solution for the management of connected items, which was able to easily integrate the systems of existing products from all types of industries. Partnership agreements were signed over this same period with key players from the market, such as LoRa and SigFox (early 2016), making it possible for the platform to integrate all of the connected items with those technologies.

Avanquest Software, a division which brings together software printing and distribution, also benefited from good year-end sales, and particularly from the success of the Minecraft Story Mode game, distributed by Avanquest to the United Kingdom. Revenues thus increased to €37.8 million, being an increase of +38% in comparison to the first half of the 2014-2015 fiscal year. That division continued, during such period, to refine its software and game product offers.

REVENUE FROM THE FIRST HALF OF THE 2015-2016 FISCAL YEAR

(in millions of euros)	**H2 2015**	H2 2014	Change %
Avanquest Software	37.8	27.4	38%
PlanetArt	31.8	18.2	74%
myDevices	2.0	2.6	-25%
REVENUES AT EQUIVALENT SCOPE	**71.6**	**48.3**	**48%**
Other*	-	12.3	-
CONSOLIDATED REVENUES	**71.6**	**60.6**	-

* *ProcessFlows, Arvixe and restatements of revenues.*

Profit/Loss

The Group's internal reporting is based upon adjusted EBITDA of the various divisions, which corresponds to the recurring operating income before the impact of depreciation and provisions, and of the capitalized R&D.

The adjusted EBITDA was negative, at €3.8 million as of the first half of the 2015-2016 fiscal year, *versus* a loss of €4.3 million as of the first half of the 2014-2015 fiscal year.

The breakdown of the adjusted EBITDA by CGU can be found below:

Key figures per CGU, first half of the 2015-2016 fiscal year *(in millions of euros)*	BtoC	Digital Printing	Total Avanquest
External revenue	39.8	31.8	71.6
Adjusted EBITDA*	**1.5**	**(5.3)**	**(3.8)**

* *Including corporate expenses allocated proportionally to the revenue.*

Within the BtoC CGU, Avanquest Software realized an excellent result over the six-month period, with an adjusted EBITDA at €2.9 million (as compared to -€0.4 million as of the first half of the 2014-2015 fiscal year), while myDevices, impacted by the halt of sales of embedded software, and the delayed deployment of its myDevices platform, posted an adjusted EBITDA for a loss of €1.3 million (+€0.2 million as of the first half of the 2014-2015 fiscal year).

Most of the losses borne by the Digital Printing CGU come from intense marketing investments realized in order to grow the FreePrints customer base in a significant manner. This net loss is consistent with FreePrints' economic model. The product offer is actually constructed to generate repeat purchases over time, by offering a certain number of free photos every month, which encourages users (who are essentially all customers) to order regularly. It is important to note that every order, despite the photos being free of charge, generates a positive gross margin. Thus, a customer who has been acquired during a given month, will show a profit over time, by the recurrence of his orders, making it possible to achieve profitability in this business.

The current operating result is a loss of €6.7 million. The difference between the adjusted EBITDA and the operating result can be broken down as follows: €3.3 million in depreciation, €0.7 million of capitalized production (in product), and €0.2 million in restatements of consolidation (retirement benefits, bonus shares).

The amount of the other operating income and expenses is an expense of €315 thousand as compared to income of €5,997 thousand as of the first half of the 2014-2015 fiscal year, including proceeds from the sale of the Arvixe assets, for an amount of €7.1 million.

The financial result is a loss of €340 thousand the tax expense is €703 thousand, and the net income from continuing operations posted a loss of €8,086 thousand.

Debt and cash

Credit facilities and borrowings have been paid back in France, in China, and in the United States, thus lowering the Group's indebtedness by €6,593 thousand in late June 2015, to €2,555 thousand in late December 2015.

Net cash was €22,099 thousand, as compared to €9,413 thousand as of December 31, 2014, restated. This amount includes €2,074 thousand in dividends from the Arvixe company, collected by the Avanquest North America company, following the payment of the deferred sale price of the Arvixe assets, as well as the disbursements connected to borrowings, for an amount of €4,578 thousand of which €1,600 thousand had already been paid into an escrow account.

Pursuit of the strategy

The Group intends to continue to develop its strategy over its various divisions, relying on the success already obtained in the first half.

The growth of PlanetArt must continue to be sustained by new investments in customer acquisition, by the launch of FreePrints Photobooks, an additional product which will be offered to existing FreePrints customers, and which makes it possible to design and print superb photo albums very simply on one's mobile. This high value-added product offer will make it possible to improve the monetization of the customer base. The ramping-up of this product offer will be done in a progressive manner, whether in the United States or in Europe.

myDevices continues to draw interest, with the successful launch in early 2016 of Cayenne, a revolutionary tool which makes it possible to very easily develop one's own applications for management of connected objects, by relying on the power of the myDevices platform. Its adoption by the developer community proved to be especially rapid, with over 200 million object interactions during the first 30 days of its launch. Also, the participation in various international salons in the first quarter of 2016 (CES of Las Vegas, Mobile World Congress in Barcelona, IoT Evolution Expo, etc.) showed a very good response from the market to all of those product offers.

Avanquest Software will continue its profitable development, both while concentrating on its higher value-added businesses, and in developing its traffic in order to grow the number of customers. Also, the Group remains responsive in regards to considering the sale of certain businesses considered to be outside of the new strategic focuses.

Principal risks and uncertainties

The nature of the risks and uncertainties has not significantly changed in comparison to that described in the financial report of the prior fiscal year.

Principal transactions with related parties

The significant transactions with related parties consist of executive compensation. As of the first half of the 2015-2016 fiscal year, there was no significant change in the nature of the transactions with related parties, in comparison to the preceding fiscal year.

Notes

Designed & published by LABRADOR +33 (0)1 53 06 30 80

Avanquest®

Immeuble Vision La Défense
89-91, boulevard National
92257 La Garenne-Colombes Cedex – France

T +33 1 41 27 19 70
F +33 1 41 27 19 71
www.avanquest-group.com

French société anonyme (limited-liability company)
with share capital of €37,522,255.50
Nanterre Trade and Companies Register No. B 329 764 625
French NAF Industry Classification 5829C
Intra-community VAT No. FR 05 329 764 625