



Excellent 1st Quarter

Results exceed expectations

Consolidated turnover: +20%

Operating profits: 11.1%

Two strategic acquisitions in the United Kingdom

Levallois-Perret, May 15, 2006

Avanquest Software once again posted a remarkable first quarter for 2006, with accelerated growth in sales and an increase in profits. The group's sales increased to €19.4 M, up 20%, while the operating income was €2.2 M or 11.1% of total sales, exceeding management's expectations for the first quarter of the year.

Synthetic profit and loss statement (IFRS standards)

In thousands of Euros	1st quarter 2006	1st quarter 2005	Change
Sales	19.426	16.193	+20,0%
Purchases of raw materials and goods	5.421	4.762	+13,8%
Other purchases and outside costs	3.937	2.733	+44,1%
Taxes and duties	257	247	+4,0%
Payroll costs	5.696	4.919	+15,8%
Depreciation allowances and provisions	569	570	-0,2%
Other operating expenses (and revenues)	1.387	865	+60,5%
Operating income	2.159	2.097	+3,0%
% of sales	11,1%	13,0%	
Financial income	119	9	
Income before tax	2.278	2.106	+8,2%

Continued two-digit increase in turnover

Avanquest once again posts a **two-digit increase in sales**, with growth in all territories and sales channels, in accordance with the group's development strategy.

Noteworthy is the outstanding performance of e-commerce sales, which doubled in value to €2.4 M, and corporate sales, which showed an increase of more than 30%. OEM sales, also still very dynamic, increased by nearly 20%, led by the overwhelming success of the mobility line, and the ongoing strengthening of the customer portfolio on all territories.

Among the internally developed product lines (+18% over the quarter, in proforma data), the Utility range performed very well, thanks to the great success of latest versions of Fix-It and System Suite, while the Mobility line keeps on innovating with the launch of a complete, new line of software designed for Apple's Ipod.

Results that exceed expectations

The operating income was **€2.2 M, or 11.1%** of sales, exceeding the group's expectations for this quarter. The limited growth in the income as compared to the first quarter of the previous fiscal year (+3%) is a result of an unfavourable comparison base, as the first quarter of 2005 was favourably impacted by an exceptional level in OEM sales, and a lag in investment expenses over the rest of the year.

The strategy initiated in 2005 to reinforce product lines and sales networks continued over the course of the first quarter in 2006, without any adverse effect on the results. Research and Development costs increased by 25% and commercial and marketing costs increased nearly 40%.

For 2006, this strategy of investing and strengthening teams – particularly over the first half of the fiscal year – led the group's management to forecast a higher seasonality effect on the results than in previous years. They predicted a stronger second half-year, most particularly in the fourth quarter, with annual operating income expected between 11% and 13%.

These very good results, associated with a strict control of working capital needs, enabled the group to post an available **cash of €23.8M at the end of March**, as opposed to €22.8M at the end of December, as well as a close to 16% increase in cash net of debts.

There is only one sour note to this excellent performance: should the dollar decline observed over the last few weeks intensify, it could limit the growth rate of the group's sales and results for the year, as 49% of Avanquest's revenue comes from invoicing in dollars.

Two strategic acquisitions in the United Kingdom

Moreover, Avanquest announces today the strengthening of their presence in the United Kingdom through the acquisition of IMR UK, a company specialising in Corporate software sales; also currently being finalized is the acquisition of FastTrak Ltd, a software publisher on the Retail market.

The purpose of these acquisitions, both based in the London area, is clearly to strengthen Avanquest UK's presence in this strategic and promising territory, which is already accountable for 20% of the group's sales.

A renowned publisher with more than 10 years of operations on the English Retail market, FastTrak has built solid partnerships with the main players on the distribution network, and generates annual sales that exceed £1M (€1.45M).

With the support of 12 employees, FastTrak publishes a catalogue of innovative software titles aimed at the Consumer market, featuring good price/quality ratios, and including, most notably, lines from publishers such as Punch, Data Becker, and Auran highly popular interior architecture software.

Since FastTrak's business model is identical to Avanquest UK Publishing's, the teams will reinforce each other and will be integrated quickly. Upon the completion of this transaction, Jon Silvera, General Manager of FastTrak and major shareholder, will assume the management of Avanquest UK's Consumer/Retail division, which already produces more than €4M in sales in the United Kingdom.

Based just north of London, **IMR** has been marketing, for the last ten years, a line of electronic document management software designed specifically for businesses. With a team of 12, IMR's sales are approximately £2.2M (€3.2M), for a net profitability greater than 20%.

IMR's activity is based on the same model as Avanquest UK's Corporate Solutions division, which combines the sale of top-of-the-line communication and electronic document management software with maintenance and support services, thus ensuring recurring revenue over several years for each solution that is sold. Numerous synergies on the marketing and technical levels will then be immediately implemented with Avanquest UK teams.

Bruno Vanryb, Chairman and CEO of Avanquest Software states: ***“Avanquest is achieving 87% of their sales internationally. In 2005, we opened new subsidiaries in Italy, Japan, China and Korea; however we desired to strengthen our position in England, the foremost software market in Europe. The IMR and FastTrak companies are joining us to reinforce our market position in the Corporate and Retail markets respectively, in accordance with our multi-channel sales strategy. With more than 100 experienced professionals, these two acquisitions***

enable our subsidiary, Avanquest UK to reach a size that indisputably classifies us among the major players in the United Kingdom in the software publishing industry.”

Chris Thompson, CEO of Avanquest UK affirms, **“The IMR and FastTrak mergers are both rich in synergy. IMR’s software solutions harmoniously complement our line devoted to Businesses, and will significantly strengthen our customer portfolio on the Corporate market. As for FastTrak, they operate in the same channels where Avanquest is already successful. The immediate integration of these two skills-filled teams, and excellent product portfolios, provides the ingredients for a new sales velocity in our joint business; making us, without doubt, one of the leading Consumer Software Publishers in the UK”**

Jon Silvera, Founder and General Manager of FastTrak declares: **“We are absolutely thrilled to join Avanquest Software, and most particularly to work in perfect harmony with Avanquest UK. In fact, the industrial project that the Avanquest Group proposes us to contribute to, offers FastTrak exceptional development perspectives! The synergy between our teams and our lines will considerably reinforce our mutual influence on the UK Retail market.”**

Financial features of the operations

The acquisition of 100% of IMR’s shares was completed for a total of £2.75M (€4M), including an initial payment and a conditional earn-out. As IMR’s minimum net situation is approximately £0.5M (€0.65M), Avanquest’s maximum net purchase price will be £2.25M (€3.26M), which is a PER of about 5.

The initial payment of £1.925M will be made as a cash (£1.46M) and shares (£0.47M) combination. The earn-out, which amounts to £0.8M (€0.7M in shares and £0.1M in cash), will be paid depending on whether or not targeted sales objectives are reached during 2006/2007 and 2007/2008.

The FastTrak purchase will be completed for a total of £1.1M (€1.6M), which also includes an initial payment and a conditional earn-out.

The initial payment of £0.6M will be made as a cash (£0.1M) and share (£0.5M) combination. An earn-out, amounting to £0.5M in shares, will be paid depending on whether or not targeted sales objectives in Consumer/Retail activities are reached during 2006/2007 and 2007/2008.

These two acquisitions will be consolidated in the Group’s figures starting May 1, 2006.

About Avanquest Software

Avanquest Software is a global developer and leading publisher of best-selling personal and professional software designed for PC maintenance and security, office productivity, communications and mobility worldwide. Headquartered in France, with operating units, subsidiaries and offices located in United States, France, Germany, Great Britain, Italy, Spain, Japan, China and Korea, Avanquest Software products are marketed in over 100 countries, through e-commerce, OEM partnerships and IT resellers. Founded in 1984 as BVRP Software and listed since December 1996 on Euronext (ISIN FR0004026714), Avanquest Software forms part of the Eurolist, NextEconomy segment and SBF 250 index. In 2005, Avanquest Software posted record financial results, with revenue of €70.6M (\$85.6M) and net income of €6.9M (\$8.4M). Additional information on Avanquest Software is available at <http://www.avanquest.com>.

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