

## First-Half 2005 Results: New increase in turnover and profit

Turnover: +20%

Operating profits: +41%

### A first semester filled with major achievements

Levallois-Perret, September 20, 2005

Avanquest Software has posted an excellent performance for the first half of 2005, with **turnover** increasing by more than **20%** to **€ 32.9 M**. During the same period, **operating profits** increased by **41%** to **€ 4.2 M**, equivalent to 12.9% of turnover for the first semester. On a like-for-like basis, the increases amount to 9.5% and 20%, respectively.

#### Consolidated data (in IFRS)

In thousands of €uro	1 <sup>st</sup> Half-Year 2005	1 <sup>st</sup> Half-Year 2004	Change
Turnover	32,895	27,353	+20,3%
Operating profits	4,227	2,996	+41.1%
% of turnover	12.9%	11.0%	
Financial income (loss)	-91	-42	
Income taxes	-1,196	-759	
Net income (loss)	2,940	2,195	+33.9%
Earning per share (in €)	0.49	0.43	+14.0%
Net earning per share after potential dilution (in €)	0.44	0.40	+10.0%

#### A first half-year filled with major achievements

The first semester of the 2005 fiscal year was dedicated to implementing the strategy that was presented at the outset of the year, which was geared toward the areas with the greatest potential for growth in the future:

- Development of the group's intellectual property, marked by the strengthening of the R&D center based in Shanghai, the introduction of a new group organizational structure corresponding to product lines and the acquisition of the California-based utility software publisher V Communications Inc (V Com).
- The implementation of an aggressive three-fold internet strategy: first, with the worldwide launch of Avanquest Online – a website selling all of the software published by Avanquest across the group's e-Commerce platforms; followed by the early-July acquisition of Magnaways, founder of the very successful German website called Blitzbox; and, the launch immediately thereafter of Bluesquad, a site selling downloads of the latest leading software titles from developers around the world.
- The pursuit of geographic expansion in Asia, begun with the opening of Avanquest China and Avanquest Korea – which since has been followed with a joint venture agreement signed at the end of the third quarter with Softbank - a major player in the field of new technologies in Japan – to create Tokyo-based Avanquest BB, in which Avanquest retains a 51% controlling interest.

On June 1<sup>st</sup>, in keeping with the group's new objectives as the sole European software developer/publisher to have truly become global, BVRP changed its corporate name to Avanquest Software. This new name symbolizes the group's spirit of market conquest and unifies all development and software publishing activities under one identity, utilizing a name that has brought international recognition for the company over the last several years.

## Another double-digit growth

Avanquest's new posting of another increase in turnover – the seventh consecutive semester of recorded sales increases -- is due largely to the 30% increase (+17% in Proforma data) in the group's Software activities, it's core business area.

OEM sales benefited from numerous agreements that were signed in 2004 and 2005, posting a new first-half record of € 8.0 M for the first six months of the year. Sales have grown by nearly 40% as compared to 1H-2004, boosted by sale of Avanquest's Mobile PhoneTools software, which has proven to be the best-selling product of its kind.

The emphasis placed on internally developed software has begun to yield results, showing an increase of more than 25%, on a like-for-like basis.

Sales in the Retail/Corporate channel have improved by more than 20% (+10% in Proforma data) to € 18.4M, benefiting from the new versions of "Utility" software that were released under the V Com brands, the excellent performance of the "Productivity" division, with the MySoftware line in the U.S. market, as well as impressive sales figures in both Germany and Spain.

Today, Web-based sales doubled compared to last year and account for 8% of total software sales. The increased Web sales are attributed largely to the integration of V Com at the beginning of the year. The implementation of synergies with the recently acquired German company, Magnaways, as well as the worldwide launch of the Bluesquad download sites, is expected to result in a new increase during 2H-2005 that will allow the group to quickly surpass 10% of total software sales.

During the first semester, only the Retail markets in France and England showed signs of slowdown at the end of the period, reflecting the somewhat anemic level of consumer demand in those territories.

## Profitability showing significant increase

Operating profits have increased by more than 40% during the first half-year to **€ 4.2M or 12.9%** of total sales, thanks to an increase of nearly 2 percentage points in gross margins that has resulted from growth in the group's highest-contributing business areas, OEM and Web-based software sales.

This performance is particularly remarkable as it occurred within the context of significant investments made during the period to ensure the group's future growth, Research & development expenses increased by 32% during first-half, with the integration of the V Com teams and the enlargement of our R&D center based in China, which today employs approximately 40 engineers and developers. At the same time, marketing and commercial expenditures grew by 30% as a result of aggressive strategies to develop the Web and corporate channels. The overhead costs, however, remain under control and post very low increase during the period.

The group's net income increased 33.9% to **€2.9 M**, or 8.9 % of total turnover.

## A financial structure achieving the group's ambitions

Avanquest's excellent first-semester results have helped to strengthen the group's financial situation. The cash generated by the operating profits (4.7 M€) enabled the investments for the period (most notably, the acquisition of V Com) to be entirely self-financed. As of June 30, 2005, the available cash amounts to € 21.1 M for bank debts of € 9.9 M. At the same time, shareholders equity increased by more than 25%, to € 48 M.

## Outlook

The third quarter, which includes two summer months, is expected to post a slight decrease in relation to the second quarter, due to the seasonal slowdown in the English and French retail markets in July and August. However, the significant ramping up usually experienced in September, along with management's high level of confidence in the outlook for the fourth quarter - which is traditionally the most dynamic of the entire year, and during which time numerous new products will be launched on the market – enable the group's executives to confirm the projections previously given for the 2005 financial year.

The complete half-year consolidated accounts are available at: <http://www.avanquest.com>.

### About AVANQUEST Software

AVANQUEST Software is a global developer and leading publisher of best-selling personal and professional software designed for utilities, 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, 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 2004, AVANQUEST Software posted record financial results, with revenue of €57.0M (\$72.0M), operating income of €6.9M (\$8.7M) and a net income of €5.3M (\$6.7M). Additional information on AVANQUEST Software is available at <http://www.avanquest.com>.

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