



New Record Earnings for Avanquest

Consolidated annual sales: +24%

Operating profits: +35%

Net income: +30%

Earning per share: 1.11 €

Significant growth anticipated for 2006

Levallois-Perret, France – March 21, 2006

Avanquest Software has demonstrated record growth once again, posting an increase in sales for the eight consecutive semester as **annual turnover reached €70.6 M, up 24% over the previous year. Operating income increased by 35%** year-on-year, bettering company forecasts to reach a total **€9.0 M, or 12.8% of yearly sales.**

Consolidated Data (in IFRS standards)

In thousands of Euros	2005 Financial year	2004 Financial year	Change
Turnover	70,593	57,036	+23.8%
Operating income	9,041	6,703	+34.9%
% of turnover	12.8%	11.8%	
Financial income	-328	-305	
Income taxes	1,826	1,106	
Net income	6,887	5,292	+30.1%
Earning per share (in €)	1.11	1.01	+10.4%
Net earning per share after potential dilution (in €)	1.01	0.93	+8.9%

A year dedicated to the implementation of growth drivers

The year 2005 was particularly active with the implementation of significant investments designed to stimulate growth in future years:

- Acquisitions of the American utility software developer V Communications, as well as the German e-commerce expert Magnaways were very successful and these companies are now totally integrated within Avanquest's model.
- Opening of subsidiaries in Italy, China, Korea and Japan; and the signing in Japan of a partnership agreement with SoftBank BB, a Japanese leader in software distribution, which resulted in the creation of Avanquest BB, a joint venture in which Avanquest owns a 51% interest.
- Implementation of a new organizational structure designed to support software products has been developed internally and is part of the Avanquest group's intellectual property. The software developed by Avanquest is now managed through three "product" divisions: Mobility, Productivity, and Utility. These divisions rely on Research & Development teams that have experienced dramatic growth, particularly in China where 45 engineers are now employed by Avanquest China in Shanghai. The value of this strategy has already been corroborated by financial results and is likewise evident in the 66% growth during 2005 of Avanquest proprietary software.
- A very aggressive Web strategy resulting in threefold increase in Web sales for 2005 was also progressively implemented, with the worldwide launch of Avanquest Online and Bluesquad. Sixteen websites cover all of Avanquest's territories, and offer all of the software published by Avanquest, on the group's technological platform.

New two-digit increase in turnover

The annual turnover for 2005 increased by 23.8% (+11% in pro forma data), and was largely due to the extraordinary increase in Software activities – the Group's core activity, where sales posted a 32.4% increase.

This growth is the outcome of notable increases in each of the sales channels, thus demonstrating the Group's well-founded, multi-territory and multi-channel strategy:

- OEM activities showed a 30% increase in sales, amounting to €16 M, thanks to the successful Mobility line;
- E-commerce sales tripled, thus obtaining the projected goal of 10% of software sales, as compared to 4% in 2004;
- Retail activities also contributed to this growth, with a 22% increase in sales for the year.

Continuing rise in profitability

The implementation of this strategy was coupled with a very significant increase in Research & Development investments (+43.8% as compared to 2004), and a sustained effort in marketing (+33%). Profitability was not negatively impacted by either the R&D or marketing investment increases, however, with Avanquest Software actually once again improving their operating income levels for 2005, as it reached **12.8%** of turnover, a 35% increase over 2004.

This new, remarkable growth in income was spurred on by the noteworthy performance of activities that contributed the most to the margin -- OEM and e-commerce -- as well as the spectacular turnaround by the German subsidiary and good control over committed fixed costs. A 3% increase brought the markup rate for direct costs to 67%.

Net sales posted an increase of more than 30%, to **€6.9 M, or 9.8%** of turnover. Once again this year, net sales benefited from a reduced income tax rate of 21%, thanks to the research income tax credits obtained in the amount of 1 M€ in France and the United States.

These results take into account a profit sharing paid for the first time to all of the Group's employees with an overall amount of €0.6 M.

A continuously strengthened financial structure

The operational profitability and excellent control of working capital needs enabled the Group to once again improve its financial structure, with an 11% increase in net cash, and 42% in stockholders' equity.

Available cash reached €22.8 M, as opposed to €19.7 M in 2004, giving the Group the financial means to continue financing their external growth ventures without having to resort to the financial markets.

Outlook for 2006: The ramping up continues

After this record year, the various growth drivers implemented in 2005 will come to fruition during 2006, with new increases expected for Web activities and internally developed software, as well as the new territories where the Group has recently expanded. The launch of Microsoft Vista will be a significant development opportunity for Avanquest Software late 2006 and in 2007.

For the 2006 financial year, the group's management anticipates accelerated internal growth, with yearly sales between €80 and 83 M (or an organic increase ranging from 13% to 18%), with similar growth for operating profits of between 11 and 13%.

In 2006, Avanquest celebrates 10 years listed

In 1996, during its IPO, the company employed 30 workers for €4 M yearly sales. The outlook for 2006 anticipates Avanquest annual turnover will have multiplied 20 times, with the number of teammates reaching 400 worldwide!

Within the context of pursuing its external growth strategy, the Group continues to study several acquisition opportunities, some of which are very significant in size. The growth outlook for 2006 indicated above will be increased if any of these projects is concluded during the first half of the coming financial year.

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 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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