



## Third-Quarter Turnover and Earnings

### Increase in sales for the month of September

**Turnover at the end of September: +4.7%**

**Operating income at the end of September: 3.3%**

La Garenne-Colombes, October 31<sup>st</sup> 2006

Avanquest Software registered an anticipated **significant increase in sales for the month of September**, coming on the heels two traditionally quiet summer months that followed a disappointing second quarter, characterized by sluggish Retail business. With sales of **€16.3 M**, turnover for the third quarter represents a sequential gain of 3% as compared to the second quarter. The third-quarter gain contrasts with traditional results for this quarter, which burdened by the quiet summer months of July and August, are usually lower than for previous quarter.

#### Breakdown of turnover

In thousands of Euros	January - September 2006	January - September 2005	Variation 2006 vs. 2005	January - September 2005 pro forma	Variation 2006 vs. pro forma
Software	45.643	43.271	+5.5%	45.274	+0.8%
Services	5.385	4.831	+11.5%	5.464	-1.4%
Other	662	1.248	-47.0%	1.751	-62.2%
<b>Total</b>	<b>51.690</b>	<b>49.350</b>	<b>+4.7%</b>	<b>52.489</b>	<b>-1.5%</b>

*Note: the pro forma figures are given on a like for like basis. They include the turnovers for Magnaways, acquired in July 2005, IMR and FastTrak acquired in May 2006.*

This progressive return to growth can be explained by the launch over the summer of numerous products that buoyed Retail business in the United States and Germany, while the rapid integration of companies acquired in the UK contributed to excellent performance reporting for Corporate sales channels.

**The upturn in business for the month of September** can also be seen in operating income: for the month of September alone, operating income was €0.7 M, or 10.9% of turnover for the month, confirming an increase in profitability for the end of the fiscal year that is in line with the expectations of Avanquest management.

During the third quarter, earnings progressed slightly compared to the previous quarter, with a positive operating income excluding non-recurring items (€+0.2M), as compared to a loss of €0.2 M for the second quarter. Operating income at the end of September totalling 1.7M Euros, or 3.3% of turnover, was logically impacted by a smaller increase in turnover than initially forecast, as well as non-recurring restructuring costs including the recent move of the head office in France, and above all by sustained investment in R&D (+16.5%) and development of sales channels, in particular e-Commerce (+34%).

## Synthetic profit and loss statement

In thousands of Euros	January September 2006	-	January September 2005	-	Variation
Turnover	51.690		49.350		+4.7%
Gross margin	34.306		32.893		
% of turnover	66.4%		66.7%		
Operating income excluding non-recurring items	2.219		6.003		-64.6%
% of turnover	4.3%		12.2%		
Non-recurring items	-522		-56		
Operating income	1.699		5.947		-72.8%
% of turnover	3.3%		12.1%		
Income before taxes	1.397		5.667		-75.3%

The surge in business in September that is expected to be confirmed for the latter part of the year, while not be sufficient to make up for the effects of the slowdown observed for the second quarter and the first two summer months, will nevertheless enable the management team to confirm its forecast for a fourth quarter that will bounce back to the first-quarter levels. This would place operating income at **6% to 8%** for the entire fiscal year, a significant jump compared to the current figure of 4.3% excluding non-recurring items.

### Confirmation of 2007 outlooks

For 2007, Avanquest management remains highly confident in view of the new dynamics that will certainly be created on the Retail markets, by the launch of the Vista OS by Microsoft - now confirmed for first quarter 2007 - and by the results expected in the second semester 2007 from the recent signature of a very important OEM agreement, with one of the main global players in the mobile phone sector.

The company, thanks to its excellent financial structure, is also about to make some strategic acquisitions designed to reinforce its product range and presence in the American and European markets. The finalization of several acquisitions that are currently under study, some of which are quite significant, could take place between the final months 2006 and the first quarter of 2007.

Avanquest confirms once again its goal to surpass the **€100M mark in turnover in 2007**.

### 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 (\$90.6M) and net income of €6.9M (\$8.8M). Additional information on Avanquest Software is available at <http://www.avanquest.com>.

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