



3Q 2005 Earnings

New double-digit Increase in Sales and Results

Turnover: +21%
 Operating profits: +31%
 Net income: +22%

Levallois-Perret, November 15, 2005

Avanquest Software today announced excellent Q3-2005 results, with an increase of more than **20% in sales**, amounting to **M€ 49.4** and an **increase of 31% in operating income**.

Profit and loss statement (in IFRS)

In thousands of €uros	Jan-Sept 2005	Jan-Sept 2004	Change
Turnover	49.345	40.967	+20.5%
Purchases of raw materials and goods	12.128	9.040	
Other purchases and outside costs	11.592	10.854	
Taxes and duties	614	275	
Payroll costs	15.076	12.399	
Depreciation allowances and provisions	1.919	1.356	
Other operating costs (products)	2.069	2.486	
Operating profits	5.947	4.557	+30.5%
% of turnover	12,1%	11,1%	
Financial income	-280	-130	
Income taxes	-1.692	-1.165	
Net income	3.975	3.262	+21.9%
Earning per share (in €)	0,65	0,62	+3.5%
Net earning per share after potential dilution (in €)	0,58	0,57	+1.7%

Implementation of growth drivers

The third quarter was dedicated to pursuing and strengthening the strategies for 2005, particularly the development of the group's intellectual property, an increase in e-commerce and the pursuit of geographic expansion into Asia.

After a very active 1H-2005, the third quarter featured the signing of an agreement with SoftBank to create Avanquest BB in Japan, a joint venture of which Avanquest retains 51%; the creation of Avanquest Italy; and the acquisition of Magneways – founder of the successful German site, Blitzbox.

The implementation of these measures throughout the 2005 fiscal year to ensure growth for the coming years, along with the launch of ambitious projects such as Bluesquad – web sites dedicated to downloading innovative software – have been decidedly validated by the significant increase in overall sales and results.

New double-digit increase in revenues

Avanquest posted a new increase in turnover with growth of more than 30% in Software sales, the core of the group's business activities (+12% in proforma data).

The emphasis placed on internally developed software paid off with an increase of more than 74% in sales (30% with constant exchange rates and consolidation perimeter).

As in the previous quarters, software sales were significantly boosted by the OEM channel and the increased popularity of Mobile PhoneTools (40% increase on a like-for-like basis), and a doubling of Internet sales, which posted 200% growth over the last 9 months (a 19% increase, with constant exchange rate and consolidation perimeter).

After a third quarter that remained on track with the forecasts established at M€ 16.4, the signature of new publishing agreements (notably with Sun for the launch in Europe of the new office suite called Star Office), the recent launch of new software titles in the "Mobility" division, and the arrival of the "Utility" line in Europe are expected to foster significant increases across all territories during the last quarter of 2005.

Profitability increasing significantly

The operating profits increased by more than 30% at end-September, thanks to a gross margin increase of nearly 3 points that resulted from an increase in the most profitable activities (OEM and Web). It amounted to **5.9M €, or 12.1%** of sales.

The third quarter results, which were better than anticipated despite the less dynamic summer months, reached 1.7 M € (or 10.5% of sales), and increased by more than 10% as compared to the same period of the previous year, notwithstanding a more favorable Retail environment in France and England during the same period last year.

This outstanding performance came within the context of significant and step by step investment throughout 2005, designed to prepare for the group's future growth. As a result, R&D expenses increased by 38%, largely owing to expenditures for renewal of V Com's "Utility" product line, and the launch of new versions of the "Mobility" software line: Mobile Phonetools, ^{BVRP} Connection Manager and Mobile Media Studio.

Marketing and commercial expenditures also increased by nearly 30%, a result of the aggressive development strategy of Web and Corporate channels. Committed fixed costs are under control, however, and are increasing more slowly.

Net income increased by more than 20% to M€ 4.0, or 8.1% of turnover, despite an unfavorable basis of comparison, as the 2004 fiscal year benefited from a very low tax rate due to tax losses previously carried forward. The net income per share has increased by nearly 10%, at a constant tax rate.

Outlook

The excellent outlook for the fourth quarter, which is traditionally the most dynamic in sales and profit margin contributor, coupled with the numerous new products to be launched into the market, leads the group management to reaffirm the projections established at the beginning of the 2005 fiscal year (i.e. sales between M€ 70 and 75 and operating profits between 11 and 13%), anticipating sales on the low end and operating results on the high end.

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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