

24th January 2006**ThirdForce PLC****(THF.I) 30c****Trading update****Contact :**

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- Trading statement : ThirdForce has released a trading statement for the period to 31 December 2005. The company said that it expects to report full year revenue of €12.6m, up 5% from the €12.03m reported in 2004. The partial contribution from Creative Learning Media, which the company acquired in September 2005, helped revenues to recover from a shortfall reported in its interim results.
- Increased product investment : However, as a result of a higher level of product investment, operating profits for the full year will be substantially lower. The company has, correctly in our view, invested heavily in internal product development in 2005, specifically targeting e-assessment and skills for life as two major growth opportunities it will pursue. The company also noted the higher level of product investment associated with the integration of Creative Media Learning, and the maintenance of its core IT skills software. In addition to the increased product investment, the company said that the revenue associated with the new product areas has progressed more slowly than anticipated.
- Outlook : As a result of this investment program ThirdForce is well positioned to return to its strong growth path and the Company anticipates at least a 50% increase in turnover in 2006. This will have a significant positive effect on profits. However, for the reasons mentioned above, normalised operating profit margins will not return until 2007 when the current product investment is completed.
- Conclusion : Despite this announcement the Thirdforce growth story remains intact. The acquisition of CLM bodes well for ThirdForce. CLM is a profitable business that presents Thirdforce with, new product, a new route to market for its existing products, synergistic development goals and a UK development base which should help reduce its current currency exposure. We are forecasting group sales to grow to €18.9m in 2006, driven by the CLM acquisition as well as increased penetration into UK schools. This would generate a 2006 ebitda of €1.563m and eps of 0.37c, a significant uplift on the 2005 figures of €0.642m and 0.22c respectively.
- Next scheduled announcement : ThirdForce annual results for the year ending 31 December 2005 are expected to be released in April 2006.

Dolmen Securities Ltd has recently acted as adviser to ThirdForce plc.

Thirdforce P&L

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Turnover	12.028	12.629	18.9441
EBITDA	1.626	0.642	1.563
Depreciation	-0.324	-0.200	-0.3
Operating profit	1.302	0.442	1.263
Interest payable	-0.174	-0.05	-0.28
Tax	-0.235	-0.1	-0.45
Profit after tax	0.893	0.292	0.533
EPS pre goodwill (cents)	0.68	0.22	0.37
Goodwill	1.452	1.65	2.1
Loss after goodwill	-0.559	-1.358	-1.567
Reported loss per share (cents)	-0.43	-1.01	-1.09

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