



Contact: Edward H. Blankenship  
Senior Vice President of Finance and  
Chief Financial Officer  
256-217-1301

## **AVOCENT REPORTS RECORD SALES FOR THIRD QUARTER**

HUNTSVILLE, Ala. (October 19, 2006) - Avocent Corporation (NASDAQ:AVCT) today reported that net sales for the third quarter ended September 29, 2006 were \$142.3 million (including \$13.5 million from the LANDesk acquisition that was completed effective August 31, 2006), an increase of 47.1% compared with the third quarter of 2005.

"Avocent posted record sales in the third quarter due to growth across product and geographic lines and contributions from our recent acquisitions," stated John R. Cooper, chairman and chief executive officer of Avocent Corporation. "Branded sales were especially strong, rising 66% to \$86.9 million in the third quarter compared with \$52.2 million in the third quarter of last year."

### Overall Results

Third quarter 2006 operational income, which is income prior to acquired in-process research and development, intangible amortization and stock compensation expenses, rose 68.5% to \$30.4 million, or \$0.64 per diluted share, compared with operational income of \$18.0 million, or \$0.36 per diluted share, in the third quarter of 2005. (See "Use of Non-GAAP Financial Measures" discussion below.)

GAAP net income for the third quarter of 2006 was \$2.6 million, or \$0.05 per diluted share, compared with GAAP net income of \$16.4 million, or \$0.33 per diluted share, in the third quarter of 2005. Net adjustments to reconcile operational income to GAAP net income were \$27.8 million in the third quarter of 2006, including \$18.6 million in acquired in-process research and development related to the LANDesk acquisition, \$7.5 million in intangible amortization and \$3.5 million in stock compensation expenses. Net adjustments to reconcile to GAAP net income were \$1.7 million in the third quarter of 2005, including \$2.7 million in intangible amortization and \$0.5 million in stock compensation expenses.

"Third quarter earnings were much higher as a result of higher sales, growth in margins and improved leverage of SG&A expenses," noted Mr. Cooper. "Our earnings also benefited from the LANDesk and Cyclades acquisitions earlier this year. Since the LANDesk acquisition closed on August 31, only their results for the month of September are included with ours. LANDesk experienced a strong September that represented about 50% of their third quarter sales yet only one month of their expenses. We also benefited from a lower tax rate as more pre-tax profit was earned overseas."

### Sales Increase 47% to a Record \$142 Million

Branded sales increased 66% from the third quarter of 2005 and accounted for 61% of total third quarter 2006 sales. Sales of most of the products acquired with Cyclades and LANDesk are included in Branded sales and contributed to the increase in Branded product sales as did increased sales of KVM products. OEM sales increased 25% from the third quarter of 2005 and accounted for 39% of total third quarter 2006 sales. Digital product sales accounted for 54% of total sales and embedded product revenues climbed to \$9.4 million, an increase of 51% compared with the third quarter of 2005. U.S. sales increased 45% to \$84.1 million and international sales rose 50% to \$58.2 million compared with the third quarter of 2005.

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“The addition of Cyclades serial product line to Avocent’s digital KVM product line has been well received by customers,” continued Mr. Cooper. “Sales of serial products have benefited from strong growth in the Linux market and cross-selling our integrated product suite to customers from both legacy company bases.”

“LANDesk sales, for the month of September, contributed \$13.5 million to our sales for the third quarter. LANDesk sales for the quarter were up 25% from last year and we are enthusiastic about future growth opportunities as we integrate product lines. We have already begun to integrate our Mobile Solutions product suite with LANDesk’s management suite and believe this combination is an excellent fit for expanding both businesses,” stated Mr. Cooper.

Gross profit for the third quarter of 2006 increased 58.2% to a record \$90.7 million (\$89.0 million on a GAAP basis) compared with \$57.3 million in the third quarter of 2005. Gross margin was a record 63.7% in the third quarter of 2006 compared to 59.3% in the third quarter of 2005. The most significant factor in the increase in gross profit and margin was the addition of LANDesk’s software revenues, but Avocent also achieved higher sales and improved product mix, including increased sales of digital products and higher embedded product revenues.

Research and development expenses were \$14.9 million (\$16.0 million on a GAAP basis, which includes stock-based compensation of \$1.1 million), or 10.5% of sales, compared with \$14.4 million, or 14.8% of sales, in the third quarter of 2005. “R&D as a percentage of sales declined as we focused on targeted projects for new and upgraded products,” continued Mr. Cooper. “We believe these investments will improve our future return on R&D expenses while expanding our market opportunity for Avocent across our product lines and markets.”

Selling, general and administrative expenses increased to \$35.0 million (\$38.3 million on a GAAP basis, which includes stock-based compensation of \$3.2 million) compared with \$20.4 million in the third quarter of 2005. Avocent had higher expenses in the third quarter of 2006 related to the increase in sales, the addition of Cyclades and LANDesk, and additional marketing expenditures for recently introduced products. Cyclades integration expenses totaled \$1.3 million for the third quarter of 2006 and included severance and retention accruals and the costs of combining certain Avocent and Cyclades offices.

Weighted average shares outstanding declined 5.4% over the prior year to 47.2 million in the third quarter of 2006 due to Avocent’s repurchase of shares under its previously-announced stock repurchase programs.

### Third Quarter Division Results

Revenues from the Management Systems Division advanced 34% to \$114.8 million in the third quarter of 2006 from \$85.5 million in the third quarter of 2005, while operating income from this division increased to \$34.9 million in the third quarter of 2006 from \$25.8 million in the third quarter of 2005. The Management Systems Division benefited from growth in the Company’s core KVM product line, the addition of Cyclades and the increase in revenues from the digital product lines.

Revenues for the Embedded Software and Solutions Division grew 51% to \$9.4 million in the third quarter of 2006 from \$6.2 million in the third quarter of 2005, while operating income increased to \$3.6 million in the third quarter of 2006 from \$0.5 million in the third quarter of 2005, primarily from higher sales of embedded KVM solutions, a one time royalty adjustment of \$1.4 million reported to us for prior quarters and additional revenue from the acquisition of the Agilent remote management product line in March 2006.

Revenues from LANDesk totaled \$13.5 million in the third quarter of 2006 and contributed \$6.0 million in operating profit for the quarter.

Revenues from the three emerging businesses declined to \$3.7 million in the third quarter of 2006 from \$3.8 million in the third quarter of 2005, while operating losses from these divisions increased to \$4.3 million in the third quarter of 2006 from \$3.1 million in the third quarter of 2005. Effective with the fourth quarter, the operations of Mobility Solutions will be integrated into the LANDesk division.

### Balance Sheet

Avocent's balance sheet and cash position remained strong as of September 29, 2006. The Company's cash flow from operations was approximately \$20.8 million for the third quarter of 2006 with approximately \$131 million in cash, cash equivalents and investments at the quarter's end. The Company repurchased 1.4 million shares during the quarter and issued 7.1 million shares as part of the LANDesk acquisition. At the end of the quarter Avocent had \$162 million of debt outstanding.

### **Use of Non-GAAP Financial Measures**

Income prior to intangible amortization, stock compensation and in-process research and development expenses, or operational income as used in the attached financial statement schedules, is not a measure of financial performance under generally accepted accounting principles (GAAP) and should not be considered a substitute for or superior to GAAP. Avocent's management uses operational income as a financial measure to evaluate performance and allocate resources within the Company. Management believes this measure presents the Company's results on a more comparable operational basis by excluding non-cash amortization expenses, non-operational expenses associated with acquisitions, and non-cash stock-based compensation expense. Avocent believes that operational income is a measure of performance used by many investment banks, analysts, investors and others to make informed investment decisions. Other companies may calculate operational income in a different manner so this measure may not be comparable to similar measures presented by other companies. A reconciliation of Avocent's results using operational measures and GAAP is set forth in the condensed consolidated statements of operations included in this press release.

### **Conference Call and Additional Information**

Avocent will provide an on-line, real-time webcast and rebroadcast of its third quarter results conference call to be held October 19, 2006. The live broadcast will be available on-line at [www.avocent.com](http://www.avocent.com) as well as [www.investorcalendar.com](http://www.investorcalendar.com) beginning at 10:00 a.m. Central time. The on-line replay will follow immediately and continue for 30 days. Avocent has also furnished additional commentary on the third quarter results simultaneously with this release on a Form 8-K filed with the SEC and on its website.

### **About Avocent Corporation**

Avocent delivers IT operations and infrastructure management solutions for enterprises worldwide, helping customers to reduce costs and simplify complex IT environments via integrated, centralized in-band and out-of-band hardware and software. Through LANDesk, Avocent also is a leading provider of systems, security, and process management solutions. Additional information is available at: [www.avocent.com](http://www.avocent.com).

### **Forward-Looking Statements**

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These include statements regarding future growth opportunities resulting from our acquisition of LANDesk, the integration of Avocent products into LANDesk's management suite and the impact on both businesses, leveraging synergies in traditional and acquired product lines and customer bases to increase sales, expand markets, and increase earnings, expected return on R&D expenses, and the expansion of market opportunities as a result of R&D expenditures and the integration and operation of Cyclades and LANDesk and their products. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made, including the risks associated with general economic conditions, risks attributable to future product demand, sales, and expenses, risks associated with reliance on a limited number of customers, component suppliers, and single source components, risks associated with acquisitions and acquisition integration, risks associated with product design efforts and the introduction of new products and technologies, and risks associated with obtaining and protecting intellectual property rights. Other factors that could cause operating and financial results to differ are described in our annual report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2006 and our quarterly reports on Form 10-Q filed with the SEC on May 10, 2006 and August 4, 2006. Other risks may be detailed from time to time in reports to be filed with the SEC. Avocent does not undertake any obligation to publicly update its forward-looking statements based on events or circumstances after the date hereof.

**AVOCENT CORPORATION**  
**Condensed Consolidated Statements of Operations**  
(Unaudited, in thousands, except per share data)

	For the Quarter Ended September 29, 2006			GAAP
	Operational	Stock Compensation *	Adjustments **	
Net sales	\$ 142,294	\$ -	\$ (480)	\$ 141,814
Cost of sales	51,640	289	894	52,823
Gross profit	90,654	(289)	(1,374)	88,991
Research and development expenses	14,895	1,109	-	16,004
Acquired in-process research and development expenses	-	-	18,600	18,600
Selling, general and administrative expenses	34,966	3,197	151	38,314
Cyclades severance and integration expenses	1,304	-	-	1,304
Amortization of intangible assets	-	-	6,589	6,589
Operating income	39,489	(4,595)	(26,714)	8,180
Other income (expense), net	272	-	-	272
Income before income taxes	39,761	(4,595)	(26,714)	8,452
Provision for income taxes	9,391	(1,085)	(2,404)	5,902
Net income	<u>\$ 30,370</u>	<u>\$ (3,510)</u>	<u>\$ (24,310)</u>	<u>\$ 2,550</u>
Earnings per share:				
Basic	\$ 0.66			\$ 0.06
Diluted	\$ 0.64			\$ 0.05
Weighted average shares and common equivalents outstanding:				
Basic	46,289	-	-	46,289
Diluted	47,164	-	-	47,164

	For the Quarter Ended September 30, 2005			GAAP
	Operational	Stock Compensation *	Adjustments **	
Net sales	\$ 96,708	\$ -	\$ -	\$ 96,708
Cost of sales	39,388	-	-	39,388
Gross profit	57,320	-	-	57,320
Research and development expenses	14,350	290	-	14,640
Selling, general and administrative expenses	20,394	219	151	20,764
Amortization of intangible assets	-	-	2,731	2,731
Operating income	22,576	(509)	(2,882)	19,185
Other income (expense), net	2,082	-	(15)	2,067
Income before income taxes	24,658	(509)	(2,897)	21,252
Provision for income taxes	6,639	-	(1,752)	4,887
Net income	<u>\$ 18,019</u>	<u>\$ (509)</u>	<u>\$ (1,145)</u>	<u>\$ 16,365</u>
Earnings per share:				
Basic	\$ 0.37			\$ 0.33
Diluted	\$ 0.36			\$ 0.33
Weighted average shares and common equivalents outstanding:				
Basic	48,966	-	-	48,966
Diluted	49,904	-	(25)	49,879

\* Stock Compensation relates to expensing of stock options, restricted stock units and performance shares and amortization of deferred compensation (from the capitalization of the value of stock options assumed in acquisitions). Avocent adopted SFAS 123R effective January 1, 2006 and began recording expense related to outstanding unvested stock options on that date as well as on subsequent equity compensation grants.

\*\* Adjustments relate to acquired in-process research and development, amortization of intangibles and other purchase accounting adjustments recorded as the result of acquisitions. The calculation of weighted average shares and common equivalents outstanding differs due to excluding the average unamortized deferred compensation expense in calculating the operational diluted shares outstanding in 2005.

**AVOCENT CORPORATION**  
**Condensed Consolidated Statements of Operations**  
(Unaudited, in thousands, except per share data)

	Operational	For the Nine Months Ended September 29, 2006		GAAP
		Stock Compensation *	Adjustments **	
Net sales	\$ 354,811	\$ -	\$ (480)	\$ 354,331
Cost of sales	136,576	502	894	137,972
Gross profit	218,235	(502)	(1,374)	216,359
Research and development expenses	41,363	2,172	-	43,535
Acquired in-process research and development expenses	-	-	20,700	20,700
Selling, general and administrative expenses	88,479	5,484	452	94,415
Cyclades severance and integration expenses	3,573	-	-	3,573
Amortization of intangible assets	-	-	13,841	13,841
Operating income	84,820	(8,158)	(36,367)	40,295
Other income (expense), net	5,067	-	-	5,067
Income before income taxes	89,887	(8,158)	(36,367)	45,362
Provision for income taxes	23,394	(2,316)	(4,781)	16,297
Net income	\$ 66,493	\$ (5,842)	\$ (31,586)	\$ 29,065
Earnings per share:				
Basic	\$ 1.39			\$ 0.61
Diluted	\$ 1.37			\$ 0.60
Weighted average shares and common equivalents outstanding:				
Basic	47,770	-	-	47,770
Diluted	48,575	-	-	48,575

	Operational	For the Nine Months Ended September 30, 2005		GAAP
		Stock Compensation *	Adjustments **	
Net sales	\$ 263,051	\$ -	\$ -	\$ 263,051
Cost of sales	109,322	-	-	109,322
Gross profit	153,729	-	-	153,729
Research and development expenses	42,624	871	-	43,495
Selling, general and administrative expenses	65,946	657	466	67,069
Amortization of intangible assets	-	-	15,976	15,976
Operating income	45,159	(1,528)	(16,442)	27,189
Income from settlement of lawsuit	5,000	-	-	5,000
Other income (expense), net	5,991	-	(45)	5,946
Income before income taxes	56,150	(1,528)	(16,487)	38,135
Provision for income taxes	14,925	-	(6,087)	8,838
Net income	\$ 41,225	\$ (1,528)	\$ (10,400)	\$ 29,297
Earnings per share:				
Basic	\$ 0.83			\$ 0.59
Diluted	\$ 0.82			\$ 0.58
Weighted average shares and common equivalents outstanding:				
Basic	49,550	-	-	49,550
Diluted	50,563	-	(39)	50,524

\* Stock Compensation relates to expensing of stock options, restricted stock units and performance shares and amortization of deferred compensation (from the capitalization of the value of stock options assumed in acquisitions). Avocent adopted SFAS 123R effective January 1, 2006 and began recording expense related to outstanding unvested stock options on that date as well as on subsequent equity compensation grants.

\*\* Adjustments relate to acquired in-process research and development, amortization of intangibles and other purchase accounting adjustments recorded as the result of acquisitions. The calculation of weighted average shares and common equivalents outstanding differs due to excluding the average unamortized deferred compensation expense in calculating the operational diluted shares outstanding in 2005.

**AVOCENT CORPORATION**  
**Condensed Consolidated Balance Sheets**  
(Unaudited, in thousands)

	September 29, 2006	December 31, 2005
Cash, cash equivalents and short-term investments	\$ 121,376	\$ 293,903
Accounts receivable, net	119,188	68,712
Inventories, net	38,530	21,178
Other current assets	17,432	10,524
Deferred income taxes	9,274	4,054
Total current assets	305,800	398,371
Investments	9,631	51,939
Property and equipment, net	38,151	36,801
Goodwill	607,889	269,992
Other intangible assets, net	221,405	15,763
Other assets	14,147	885
Total assets	\$ 1,197,023	\$ 773,751
Accounts payable and other accrued expenses	\$ 47,904	\$ 23,569
Income tax payable	16,050	11,270
Deferred revenue	38,555	-
Other current liabilities	37,057	18,908
Total current liabilities	139,566	53,747
Line of credit	162,143	-
Deferred income taxes	57,657	-
Other non-current liabilities	10,072	4,682
Total liabilities	369,438	58,429
Total stockholders' equity	827,585	715,322
Total liabilities and stockholders' equity	\$ 1,197,023	\$ 773,751

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**AVOCENT CORPORATION**  
**Additional Financial Information**  
(Unaudited, in thousands)

	Quarter Ended		Nine Months Ended	
	Sept. 29, 2006	Sept. 30, 2005	Sept. 29, 2006	Sept. 30, 2005
<i>Revenue by Distribution Channel</i>				
Branded	\$ 86,919	\$ 52,238	\$ 205,517	\$ 134,761
OEM	55,375	44,470	149,294	128,290
Total	<u>\$ 142,294</u>	<u>\$ 96,708</u>	<u>\$ 354,811</u>	<u>\$ 263,051</u>
<i>Revenue by Division</i>				
Management Systems	\$ 114,841	\$ 85,542	\$ 302,201	\$ 235,186
LANDesk	13,522	-	13,522	-
Embedded Software and Solutions	9,368	6,191	24,329	14,899
Other business units	3,690	3,844	11,962	10,804
Corporate and unallocated	873	1,031	2,797	2,162
Total	<u>\$ 142,294</u>	<u>\$ 96,608</u>	<u>\$ 354,811</u>	<u>\$ 263,051</u>
<i>Management Systems Division Revenue by Product Line</i>				
KVM	\$ 90,704	\$ 80,483	\$ 252,500	\$ 221,627
Serial Management	15,880	844	30,690	2,701
Other	8,257	4,215	19,011	10,858
Total	<u>\$ 114,841</u>	<u>\$ 85,542</u>	<u>\$ 302,201</u>	<u>\$ 235,186</u>
<i>LANDesk Division Revenue by Type</i>				
Licenses and royalties	\$ 10,257	\$ -	\$ 10,257	\$ -
Maintenance and services	3,265	-	3,265	-
Total	<u>\$ 13,522</u>	<u>\$ -</u>	<u>\$ 13,522</u>	<u>\$ -</u>
<i>Operating Profit (Loss) by Division</i>				
Management Systems	\$ 34,931	\$ 25,837	\$ 84,807	\$ 60,905
Embedded Software and Solutions	3,558	490	8,039	(609)
LANDesk	5,535	-	5,535	-
Other business units	(4,266)	(3,115)	(10,918)	(7,304)
Corporate and unallocated	(4,864)	(1,145)	(10,801)	(9,361)
Total	<u>\$ 34,894</u>	<u>\$ 22,067</u>	<u>\$ 76,662</u>	<u>\$ 43,631</u>
<i>Cash Flow Highlights</i>				
Cash provided by operations	\$ 20,825	\$ 20,676	\$ 52,406	\$ 51,983
Depreciation expense	1,790	1,804	5,764	5,082
Capital expenditures	607	950	2,030	3,553
Purchase of treasury shares	35,362	15,818	157,617	66,089

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