

**QAD Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands)  
(unaudited)

	<b>October 31,</b>	<b>January 31,</b>
	<b>2011</b>	<b>2011</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 75,055	\$ 67,276
Accounts receivable, net	40,922	65,620
Deferred tax assets, net	3,953	3,954
Other current assets	9,848	12,553
Total current assets	<u>129,778</u>	<u>149,403</u>
Property and equipment, net	33,226	33,795
Capitalized software costs, net	558	841
Goodwill	6,432	6,457
Long-term deferred tax assets, net	20,121	20,080
Other assets, net	<u>2,992</u>	<u>2,518</u>
Total assets	<u><u>\$ 193,107</u></u>	<u><u>\$ 213,094</u></u>
 <b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 316	\$ 304
Accounts payable and other current liabilities	34,515	40,894
Deferred revenue	73,914	94,453
Total current liabilities	<u>108,745</u>	<u>135,651</u>
Long-term debt	15,900	16,138
Other liabilities	5,381	5,214
Stockholders' equity:		
Common stock	18	18
Additional paid-in capital	148,271	146,898
Treasury stock	(24,622)	(28,070)
Accumulated deficit	(51,482)	(54,438)
Accumulated other comprehensive loss	(9,104)	(8,317)
Total stockholders' equity	<u>63,081</u>	<u>56,091</u>
Total liabilities and stockholders' equity	<u><u>\$ 193,107</u></u>	<u><u>\$ 213,094</u></u>

**QAD Inc.**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except per share data)  
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010	2011	2010
Revenue:				
License fees	\$ 7,216	\$ 6,071	\$ 22,110	\$ 17,813
Maintenance and other	34,011	33,777	103,742	96,592
Subscription fees	2,283	1,592	6,813	4,077
Professional services	17,223	13,969	49,428	39,073
Total revenue	<u>60,733</u>	<u>55,409</u>	<u>182,093</u>	<u>157,555</u>
Cost of revenue:				
License	1,248	1,107	3,283	3,900
Maintenance, subscription and other	8,841	7,952	26,683	24,632
Professional services	16,066	13,862	49,095	38,529
Total cost of revenue	<u>26,155</u>	<u>22,921</u>	<u>79,061</u>	<u>67,061</u>
Gross profit	34,578	32,488	103,032	90,494
Operating expenses:				
Sales and marketing	13,974	13,024	42,327	38,713
Research and development	8,811	8,134	26,531	26,280
General and administrative	7,495	7,486	22,605	22,654
Total operating expenses	<u>30,280</u>	<u>28,644</u>	<u>91,463</u>	<u>87,647</u>
Operating income	4,298	3,844	11,569	2,847
Other (income) expense:				
Interest income	(188)	(140)	(470)	(384)
Interest expense	305	317	862	924
Other (income) expense, net	(41)	139	421	17
Total other expense	<u>76</u>	<u>316</u>	<u>813</u>	<u>557</u>
Income before income taxes	4,222	3,528	10,756	2,290
Income tax expense	1,212	1,855	3,656	1,522
Net income	<u>\$ 3,010</u>	<u>\$ 1,673</u>	<u>\$ 7,100</u>	<u>\$ 768</u>
Diluted Net Income per Share				
Class A	\$ 0.19	\$ 0.10	\$ 0.44	\$ 0.05
Class B	\$ 0.15	\$ 0.09	\$ 0.37	\$ 0.04
Diluted Weighted Shares				
Class A	13,382	13,427	13,286	13,391
Class B	3,301	3,357	3,292	3,348

**QAD Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(unaudited)

	<b>Nine Months Ended</b>	
	<b>October 31,</b>	
	<b>2011</b>	<b>2010</b>
Net cash provided by operating activities	\$ 13,052	\$ 16,057
Cash flows from investing activities:		
Purchase of property and equipment	(2,593)	(1,004)
Capitalized software costs	(167)	(297)
Other, net	(86)	(7)
Net cash used in investing activities	(2,846)	(1,308)
Cash flows from financing activities:		
Repayments of debt	(226)	(215)
Tax payments, net of proceeds, related to stock awards	(642)	(335)
Excess tax benefits from share-based payment arrangements	24	-
Repurchase of stock	(569)	-
Dividends paid in cash	(1,431)	(1,934)
Net cash used in financing activities	(2,844)	(2,484)
Effect of exchange rates on cash and equivalents	417	791
Net increase in cash and equivalents	7,779	13,056
Cash and equivalents at beginning of period	67,276	44,678
Cash and equivalents at end of period	\$ 75,055	\$ 57,734