

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	2014	2015	2014
Revenue:				
License fees	\$ 6,350	\$ 8,616	\$ 21,761	\$ 24,231
Subscription fees	9,659	7,710	28,223	20,344
Maintenance and other	33,395	35,029	100,611	107,225
Professional services	18,633	22,649	57,998	63,739
Total revenue	<u>68,037</u>	<u>74,004</u>	<u>208,593</u>	<u>215,539</u>
Cost of revenue:				
License	827	1,217	2,728	3,270
Subscription	5,134	4,134	15,360	12,132
Maintenance and other	7,924	7,921	23,608	24,344
Professional services	17,120	19,799	54,035	57,975
Total cost of revenue	<u>31,005</u>	<u>33,071</u>	<u>95,731</u>	<u>97,721</u>
Gross profit	<u>37,032</u>	<u>40,933</u>	<u>112,862</u>	<u>117,818</u>
Operating expenses:				
Sales and marketing	15,531	16,421	49,658	50,319
Research and development	10,193	10,152	31,440	32,249
General and administrative	7,676	8,295	24,719	26,464
Amortization of intangibles from acquisitions	165	176	495	535
Total operating expenses	<u>33,565</u>	<u>35,044</u>	<u>106,312</u>	<u>109,567</u>
Operating income	<u>3,467</u>	<u>5,889</u>	<u>6,550</u>	<u>8,251</u>
Other (income) expense:				
Interest income	(80)	(56)	(224)	(169)
Interest expense	171	185	544	598
Other (income) expense, net	61	(164)	(471)	(56)
Total other (income) expense, net	<u>152</u>	<u>(35)</u>	<u>(151)</u>	<u>373</u>
Income before income taxes	3,315	5,924	6,701	7,878
Income tax expense	729	834	1,935	1,879
Net income	<u>\$ 2,586</u>	<u>\$ 5,090</u>	<u>\$ 4,766</u>	<u>\$ 5,999</u>
Diluted net income per share				
Class A	\$ 0.14	\$ 0.31	\$ 0.25	\$ 0.37
Class B	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.31
Diluted Weighted Shares				
Class A	16,308	13,487	16,208	13,474
Class B	3,286	3,265	3,283	3,270

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

	<u>October 31,</u> <u>2015</u>	<u>January 31,</u> <u>2015</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 126,621	\$ 120,526
Accounts receivable, net	41,233	78,887
Deferred tax assets, net	8,597	9,313
Other current assets	13,162	14,799
Total current assets	<u>189,613</u>	<u>223,525</u>
Property and equipment, net	32,646	33,154
Capitalized software costs, net	1,733	2,485
Goodwill	10,706	10,911
Long-term deferred tax assets, net	10,515	9,680
Other assets, net	<u>2,953</u>	<u>3,614</u>
 Total assets	 <u><u>\$ 248,166</u></u>	 <u><u>\$ 283,369</u></u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 417	\$ 406
Accounts payable and other current liabilities	35,504	48,637
Deferred revenue	69,616	102,721
Total current liabilities	<u>105,537</u>	<u>151,764</u>
Long-term debt	14,364	14,680
Other liabilities	4,455	5,219
Stockholders' equity:		
Common stock	21	20
Additional paid-in capital	193,836	185,546
Treasury stock	(18,816)	(22,977)
Accumulated deficit	(42,675)	(43,465)
Accumulated other comprehensive loss	(8,556)	(7,418)
Total stockholders' equity	<u>123,810</u>	<u>111,706</u>
 Total liabilities and stockholders' equity	 <u><u>\$ 248,166</u></u>	 <u><u>\$ 283,369</u></u>

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

	<b>Nine Months Ended</b>	
	<b>October 31,</b>	
	<b>2015</b>	<b>2014</b>
Net cash provided by operating activities	\$ 9,235	\$ 5,031
Cash flows from investing activities:		
Purchase of property and equipment	(2,641)	(3,337)
Capitalized software costs	(70)	(115)
Net cash used in investing activities	(2,711)	(3,452)
Cash flows from financing activities:		
Repayments of debt	(305)	(291)
Tax payments, net of proceeds, related to stock awards	(2,419)	(2,354)
Excess tax benefits from share-based payment arrangements	930	-
Payment of contingent liability associated with acquisitions	(750)	(471)
Cash dividends paid	(3,922)	(3,334)
Proceeds from issuance of common stock, net of issuance costs	8,365	-
Net cash provided by (used in) financing activities	1,899	(6,450)
Effect of exchange rates on cash and equivalents	(2,328)	298
Net increase (decrease) in cash and equivalents	6,095	(4,573)
Cash and equivalents at beginning of period	120,526	75,984
Cash and equivalents at end of period	<u>\$ 126,621</u>	<u>\$ 71,411</u>

**QAD Inc.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
(In thousands, except per share data)  
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	2014	2015	2014
Total revenue	\$ 68,037	\$ 74,004	\$ 208,593	\$ 215,539
Net income	2,586	5,090	4,766	5,999
Add back:				
Net interest expense	91	129	320	429
Depreciation	980	958	2,953	2,809
Amortization	455	483	1,363	1,467
Income taxes	729	834	1,935	1,879
EBITDA	<u>\$ 4,841</u>	<u>\$ 7,494</u>	<u>\$ 11,337</u>	<u>\$ 12,583</u>
Add back:				
Non-cash stock-based compensation	1,881	1,209	5,618	3,794
Change in fair value of interest rate swap	187	214	(164)	321
Adjusted EBITDA	<u>\$ 6,909</u>	<u>\$ 8,917</u>	<u>\$ 16,791</u>	<u>\$ 16,698</u>
Adjusted EBITDA margin	10%	12%	8%	8%
Non-GAAP net income reconciliation				
Net income	\$ 2,586	\$ 5,090	\$ 4,766	\$ 5,999
Add back:				
Non-cash stock-based compensation	1,881	1,209	5,618	3,794
Amortization of purchased intangible assets	345	374	1,034	1,130
Change in fair value of interest rate swap	187	214	(164)	321
Income tax adjustments	(603)	(449)	(1,622)	(1,311)
Non-GAAP net income	<u>\$ 4,396</u>	<u>\$ 6,438</u>	<u>\$ 9,632</u>	<u>\$ 9,933</u>
Non-GAAP earnings per diluted Class A share reconciliation				
Earnings per diluted Class A share	\$ 0.14	\$ 0.31	\$ 0.25	\$ 0.37
Add back:				
Non-cash stock-based compensation	0.10	0.08	0.30	0.23
Amortization of purchased intangible assets	0.02	0.03	0.05	0.07
Change in fair value of interest rate swap	0.01	0.01	(0.01)	0.02
Income tax adjustments	(0.03)	(0.03)	(0.08)	(0.08)
Non-GAAP earnings per diluted Class A share	<u>\$ 0.24</u>	<u>\$ 0.40</u>	<u>\$ 0.51</u>	<u>\$ 0.61</u>
Shares used in computing earnings per diluted Class A share	16,308	13,487	16,208	13,474
Non-GAAP earnings per diluted Class B share reconciliation				
Earnings per diluted Class B share	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.31
Add back:				
Non-cash stock-based compensation	0.08	0.06	0.25	0.20
Amortization of purchased intangible assets	0.02	0.02	0.05	0.06
Change in fair value of interest rate swap	0.01	0.01	(0.01)	0.02
Income tax adjustments	(0.03)	(0.02)	(0.07)	(0.07)
Non-GAAP earnings per diluted Class B share	<u>\$ 0.20</u>	<u>\$ 0.34</u>	<u>\$ 0.43</u>	<u>\$ 0.52</u>
Shares used in computing earnings per diluted Class B share	3,286	3,265	3,283	3,270